FINANCIAL TIMES

No. 26,866 Monday January 12 1976 ** 10p

1971 1975



CONTINENTAL SELLING PRICES: AUSTRIA Sch.13; BELGIUM Fr.20; DENMARK Kr.2.75; FRANCE Fr.2.20; GERMANY DM1.70; ITALY L.300; NETHERLANDS Fl.1.50; NORWAY Kr.2.75; PORTUGAL Esc.15.00; SPAIN Pta.30; SWEDEN Kr.2.50; SWITZERLAND Fr.1.50.

## NEWS SUMMARY

### GENERAL

# Madrid soccer stadium uproar

After breaking up Madrid workers' demonstrations during yesterday morning with tear gas and baton charges, Spanish riot police were in action again last night.

Following Atletico Madrid's 1—0 football victory over Real Madrid—King Juan Carlos and Queen Sophia were among the spectators—some 3,000 fans launched a demonstration, shouting a slogan from the Portuguese revolution: "The people united will never be defated" and also: "No to the wages ceiling."

The King and Queen had left the stadium before the demonstration got under way and did not witness the arrival of riot police in strength, the firing of a volley of smoke bombs and a subsequent baton charge.

During the morning riot police were in action against several thousand workers in two separate demos. At least 30,000 Madrid workers are affected by just three of many lockouts—those of Standard Electric, Chrysler and Intelsa. Page 5

### Supertanker still missing

London marine underwriters are awaiting news of the Norwegian-owned, Liberian-registered, 227,556-ton oil-bulk ore carrier, Berge Istra, which has disappeared in the Pacific. If the vessel has sunk it will be one of the biggest individual merchant shipping losses ever. Air and sea searches have so far failed to find it.

### Guerillas seize Lebanon armour

The Lebanese Army last night gave Palestine guerillas a 12-hour deadli enin which to return 10 armoured vehicles and their Lebanese crews, seized in Beirut suburbs. Mrs. Margaret Thatcher sad on her return to London yesterday from Egypt and Syria that she is to visit Israel in March. Page 5

### Redundancy call for some hymns

Justifying his call yesterday for the Church to throw out some of its hymns because they are "misleading, dangerous and bad for to-day" and "do more harm than good," the Very Rev. Alfred Jowett, Dean of Manchester, gave as an example: "Lands of the East awake." "They have woken up," he comments, "so successfully that Japan bids fair to run us out of the motor-car market."

### Cod War plea

Mr. Neils Sigurdsson, Iceland ambassador in London, suggested in a BBC interview yesterday that British trawlers should be withdrawn from Iceland's 50-mile fishing limit—if not the 200-mile limit—for a week or two as a step towards trying to end the Cod War.

### McGahey post

Mr. Michael McGahey, president of the Scottish miners and vice-president of the National Union of Mineworkers, has been elected chairman of the Communist Party of Great Britain.

### KGB coup

The Soviet intelligence arm, the KGB, "using sex, money and icy cunning," stole a Nato Sidewinder air-to-air-missile complete with homing device, in 1967, according to a book, The Assault on Nato, an excerpt from which is to be published in Penthouse next month.

### Briefly . . .

Sir Frank Milton, former Chief Metropolitan Magistrate, has died in a Bristol hospital after a short illness. He was 70.

The Shah has demoted Iran's navy chiefs, Rear Admiral Ramzi Abbas Ata'i and his deputy, Rear Admiral Hassan Rafiie to the rank of commander. Page 5

Drug overdose cases have fallen sharply during the industrial action by junior hospital doctors, according to a British Medical Journal report.

Desks from Eton and Harrow—including carved initials went on sale at a New York store at £150 each.

### BUSINESS

# Selective aid for industry unscathed

● **THE GOVERNMENT** is still pressing ahead with a strategy of selective assistance to industry, despite the setback of the Chrysler deal. NEDC, at its Wednesday meeting, will discuss a list of 30 key sectors of the economy, divided into good growth prospects, those with potential and sectors with relatively little potential. **Back Page**

● **ECONOMIC STATISTICS** due this week will show how the cost-of-living index, the level of the trade deficit, wholesale prices and industrial production fared in 1975. **FOOD PRICES** rose by less than 1 per cent. in the third quarter last year, according to the Miinstry of Agriculture. **Page 4**

● **NIPPON SEIKO** Kaisha, the large Japanese group, has begun recruiting for its bearings plant at Peterlee, Co. Durham, which was at the centre of great controversy two years ago and comes on stream in April. **Back Page**

● **MORE EXECUTIVES** face a fall in real incomes in the coming year and many will be forced to change jobs for "purely financial reasons," according to Lloyd Executive, the personnel consultants. **Back Page**

● **ROTTERDAM PORT** foresees an upturn in traffic towards the end of the year, with the container trade likely to be the key to its recovery. **Page 36**

● **VENEZUELAN** crude oil production last year averaged 2.35m. barrels a day, a fall of over 21 per cent. on the previous year. Average output last month was 1.76m. b/d, the lowest since 1953.

● **U.S. FEDERAL** Reserve Board has sharply increased its earlier estimates of the outstanding amounts of New York City and State debt obligations held by American banks across the country. **Page 5**

## Imports rise as car sales drop

● **CAR IMPORTS** rose by 43,000 last year, despite an overall decline of 74,000 units in the U.K. domestic car market. The foreign share of the market rose from 27.9 per cent. in 1974 to 33.23 per cent. **Back Page**

● **TEXTILE PRODUCTS** on retail sale in the U.K. must carry from to-day an indication of their fibre content under a new EEC regulation. **Page 4.** **TECHNICAL CENTRE** to help the clothing industry improve its efficiency is to be set up in North London by the Clothing Institute, the professional body covering managers in the industry. **Page 36**

● **PLASTICS INDUSTRY** in the U.K. and Europe faces a new round of cost increases with many chemical industry suppliers seeking higher prices for their products. **Page 4**

● **VICKERS** white-collar unions have called a one-day strike of 12,000 staff on Wednesday to protest at the engineering group's new proposed pension scheme. **Page 7**

● **AUSTRALIA'S LIFE** insurance indstry has attacked the attempt by the country's leading finance company, Australian Guarantee Corporation, to acquire Mercantile Mutual Insurance. **Page 33**

● **DATAPOST**, the Post Office's overnight delivery service for packages up to 10 kg., is available "on demand" from 189 main post offices to U.K. industrial and commercial centres from to-day.

## Bank base rates likely to fall

● **THE CLEARING BANKS** are expected to reduce their lending rates early this week, possibly by 1 per cent. to 10 per cent., following the ½ per cent. cut by Lloyds Bank last week. Such a move would reduce the cost of advances for "blue chip" companies to 11-11½ per cent. **Back Page**

● **SIME DARBY** Holdings, the Far East trading concern, intends to become more international and has plans which may lead to its making three large takeovers, each worth some £10m., this year **Page 36**



## Strikes hit two South Wales plants

# Steel union leaders face task of selling package to men

BY CHRISTIAN TYLER, LABOUR STAFF

**Steel union leaders to-day start the difficult task of "selling" to their members, against a background of industrial action at two big South Wales plants, a comprehensive package of wage-cuts and labour-shedding needed to save the nationalised steel industry.**

They have been given two weeks in which to persuade their 220,000 British Steel Corporation members to accept the cuts and give pledges to suppress unofficial strikes for a programme that the BSC says must start within the next month.

National executive committees of the 17 unions involved will be meeting this week and next to decide whether they can sign a proposed agrement worked out in union-management talks at the week-end which lasted for over 21 hours.

The proposed agreement, set out in a three-page document, suggests a number of important concessions from both sides. But it has not changed the Corporation's determination to find savings of £170m. this year and a reduction in manpower equivalent to over 40,000 jobs in the next two years.

If the unions sign, they would have to accept the possibility of forced redundancies. But the Corporation may extend indefinitely its decision to retain the guaranteed working week (due to be phased out from to-day) for another fortnight.

Union leaders refused to sign the document at the week-end, mainly because they doubted that they could win early acceptance for wide-scale cancellation of week-end working, the item in the package which has emerged as the chief sticking point.

It is this demand by the Corporation that has triggered unofficial strikes at the big Port Talbot and Ebbw Vale works in South Wales, as well as smaller walk-outs elsewhere.

The men are protesting that BSC has broken local agreements about week-end working without consultation and before agreement has been reached at national level.

Port Talbot workers decided at a mass meeting yesterday to continue their strike, despite the recommendation of the biggest steel union, the Iron and Steel Trades Confederation, that they should go back. The works, which employs 13,500 and is a big supplier for the motor industry, was shut down completely at the week-end.

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**Text of joint statement Page 32**

Production at Ebbw Vale is also at a halt because of a strike by 1,200 craftsmen who walked out on Saturday and will stay out at least until to-night.

Elsewhere, 500 workers turned up for the Sunday shift after being told to stay at home. But this was far fewer than the 4,000 who turned up the week before.

The situation in South Wales, an early test of the union's ability to curb unofficial strikes, could be mirrored at other plants around the country as union branches digest the implications of the BSC document.

BSC is also facing strong pressure from some of the unions to pay those men who would normally have been working on Sundays, and at Ebbw Vale, officials were considering whether to take the Corporation to court for breaking an agreement.

The document, signed so far only by senior BSC managers, says that the Corporation must reduce manning to double output per head

Labour shedding—by natural wastage where possible—must start now and be complete in two years. Unions would have to work flexibly, and across traditional demarcation lines, to make the no-replacement policy effective. Extra pay for harder work would be subject to the pay policy.

Once a job had been declared redundant, the unions locally would have 12 weeks in which to make sure that job disappeared or "other redundancy measures" would be applied.

Monday-to-Friday working would be the order of the day, and week-end working exceptional. This demand entails re-organisation of the 40-hour week which, for most steelmen, means working a week-end as part of their rota every fortnight—the so-called "Continental shift system"

The planning of wage and job cuts and strike control, both under the supervision of joint union-management teams at local level, would have to begin within the next four weeks.

# Rees expected to recall Ulster Convention

BY PHILIP RAWSTORNE

DESPITE threats of passive resistance from the Unionist coalition, Mr. Merlyn Rees, Secretary for Northern Ireland, is expected to announce to-day the recall of the Ulster Convention in a further bid to establish a power-sharing government in the province.

Mr. Rees, who expects to secure full Commons' backing for his move, will politely but firmly reject the Convention's first report advocating a return to a Stormont-type administration in Northern Ireland.

The Ulster debate will be preceded by a statement on the security situation in the province by Mr. Harold Wilson.

The Prime Minister yesterday called both Mr. Rees and Mr. Roy Mason, Defence Secretary, to a meeting at Chequers for a further appraisal of the Government's security operations.

General Sir David House, GOC North Ireland, attended the talks to give Mr. Wilson a first-hand report on the latest developments and General Sir Peter Hunt, Chief of the General Staff, was also present.

The Prime Minister, in his Commons statement, will also expand on his suggestion last week that the main Opposition parties should participate in round-table talks with the Government on the handling of security in Northern Ireland.

Mrs. Margaret Thatcher, the Conservative leader who returned yesterday from a visit to the Middle East, is to hold a meeting of the "shadow" Cabinet earlier to-day to decide whether to accept the invitation.

There is little optimism at Westminster about the prospects of a successful outcome from a recall of the Convention, but it is generally recognised as virtually the only action open to the Government in its attempts to break the province's political deadlock.

The Convention is likely to be given a limited period — probably some two months — to re-examine ways of finding a broad-based administration.

## Election pledges

Ministers believe there is a chance that some Loyalist leaders, having satisfied their election pledges by insisting on majority rule in the Convention's first report, may now be persuaded to reconsider their position.

Mr. Rees may set the issue of self-government for Northern Ireland in the broader context of the Government's devolution policies and urge the Ulster politicians to build on the substantial measure of agreement that exists on social, economic and local government affairs.

If talks could be renewed Mr. Rees believes that enough Loyalist members might support Mr. William Craig's coalition ideas to tip the balance of opinion in the Convention.

Our Belfast Correspondent adds: the Unionist coalition in Ulster has drawn up plans to force Britain to restore majority rule.

Mr. Ernest Baird, a deputy leader of the coalition, said yesterday that attempts by the Government either to reopen talks between the Ulster parties or to impose a continued period of direct rule would be frustrated.

The plans, drawn up at a private two-day conference of Unionists at the week-end, range from a withdrawal of Unionists from district councils to a possible workers' strike.

If the Convention was recalled, the Unionists would use their majority to adjourn the proceedings indefinitely. Unionist leaders are to meet Mr. Rees to-morrow.

Their campaign provides for province-wide rallies culminating in a mass demonstration in Belfast.

Mr. Baird was reluctant to say whether definite plans had been laid for a general stoppage similar to that of May, 1974, which toppled the power-sharing executive.

Such a strike would need the full co-operation of Protestant paramilitary organisations to be effective. At present relations between political leaders and the so-called Loyalist armies are poor.

Mr. Baird said the Ulster Defence Association, the largest paramilitary group, had yet to make up its mind where it stood politically.

# Investment by Middle East oil states in N. Sea likely—Benn

BY OUR INDUSTRIAL STAFF

THE possibility of closer relationships between Britain and the OPEC countries—including major North Sea investment by Middle East oil producing countries—was foreshadowed at the week-end by Mr. Anthony Wedgwood Benn, the Energy Secretary.

On his returning from a six-day visit to Iran, Mr. Benn said the National Iranian Oil Company—the third largest oil company in the world—was interested in taking a bigger stake in North Sea developments.

"I think they would be glad to see partnerships develop. It would be foolish for us to ignore the enormous experience they have," the Minister said.

The Iranians were anxious to develop their international operations and had been "tremendously interested" in the round of North Sea licensing operations scheduled for later this year.

They were interested in developing links with the newly formed British National Oil Corporation, and Mr. Benn said he would be "very surprised if both BNOC and Iran did not quickly follow up his visit."

The Minister's visit to Iran, during which he had a long meeting with the Shah, is the first of a series which he intends to make to major oil producing countries.

Preliminary arrangements are being made for trips to Venezuela, Saudi Arabia and countries of the Gulf. Mr. Benn hopes to interest other OPEC countries in North Sea investment, but he is also believed to be eager to develop closer links with the oil producers in order to exert greater influence over future oil pricing policies.

The Iranian Government made it clear that its agreements with France, West Germany and the U.S. on nuclear collaboration did not exclude new arrangements with Britain.

Discussions centred on the possibility of British Nuclear Fuels reprocessing spent fuel at its Windscale factory. Hitherto, Iranian policy has been that reprocessing should take place in Iran itself.

Mr. Benn appears to have received a favourable response to his proposals that Britain should assist with exploration for uranium within Iran.

U.K.-Iranian collaboration is limited at present to a training programme under which facilities have been made available for Iranian graduates at Harwell and assistance is to be given to Iran's Atomic Energy Commission.

# Healthy profit expected by VW

By Terry Dodsworth, Motor Industry Correspondent

THE Volkswagen group, which only a fortnight ago announced "substantial" losses for the second year in a row, expects a healthy profit this year.

Despite a sharp fall in the company's vital U.S. sales last year, the recovery has already started, according to Herr Toni Schmuecker, chairman of the management Board brought in just 11 months ago, at the critical point of VW's financial crisis.

The group became profitable again late last year. Borrowings, which rose in 1974 and early last year to a point which Herr Schmuecker describes as the "upper limit," have been brought under control.

"Volkswagen," he says, "has returned to normal."

Some observers will be impressed by the extent and speed of Volkswagen's recovery only a year after announcement of the record 1974 loss of £140m., which shocked shareholders into appointing Herr Schmuecker.

Although the company's share price has risen steadily over the last six months, suggesting stock market optimism about its future, it has continued to lose sales in the U.S.

It has also been going through a costly redundancy programme involving the loss of 25,000 jobs in Europe to bring its total Continental work force down to 117,000.

## Redundancy

The turnaround, according to Herr Schmuecker—speaking at the group's Wolfsburg head office—is due mainly to getting labour costs in line with output as the redundancy programme was pushed through.

VW's output in Germany, down last year to 1.4m. cars (including its Audi subsidiary) against 1.9m. in 1971, is running at about 88 per cent. of installed capacity.

But productivity has risen, with the company producing almost the same number of cars last year as in 1974 with a work force cut by 23,000.

Another factor in the improvement has been the reduction of finished cars. VW started last year heavily over-stocked—which had forced the company to raise borrowings, while reducing liquidity.

Stocks have now been reduced to a normal basis and short-term borrowings cut to a more conservative level.

But after paying no dividend in 1974, Herr Schmuecker says it is also most unlikely that there will be any dividend for last year.

Herr Schmuecker made it clear that the controversial plan to build a factory in the U.S. was still alive and would be decided soon.

# OAU tries to end Angola deadlock

BY STEWART DALBY ADDIS ABABA, Jan. 11.

THE Organisation of African Unity was deadlocked to-day in its attempt to solve the Angolan crisis.

The 15 Heads of State and Governments together with delegates from other countries, gathered here for a special summit meeting on Angola, spent the morning and the better part of the afternoon in closed session.

Apparently, however, they made little progress towards deciding whether the 46-member organisation would recognise one of the rival liberation claimants as the sole Government of the former Portuguese territory or whether it would try and push the three liberation movements into some kind of ceasefire and coalition Government.

## Backed

Mr. Peter Onu, Deputy Secretary-General of the OAU, to-night said the members are considering two resolutions.

One, from Nigeria, a fervent MPLA supporter, is backed by 22 other members. It calls for outright recognition of the MPLA as the only Government of Angola.

The other proposal is from Senegal and is backed by 21 other members. The exact wording of Senegal's proposal is not known, but it is thought that it asks that no single movement is recognised and that the OAU makes efforts to bring the warring factions together.

Both resolutions, it appears, have strongly-worded condemnations of South Africa's involvement in Angola contained in them.

It was not clear which country is not supporting either resolution, although there is strong speculation that either Uganda, the current OAU chairman, or Ethiopia, the host country, is trying to maintain a neutral stance.

Sources within Unita, the Western-backed movement in coalition with FNLA, claim that President Senghor of Senegal, who made an eloquent and philosophical speech on Saturday calling for compromise, stayed up until the early hours on Saturday night attempting to persuade the Government of Ethiopia, the host country, not to swing its weight behind recognition for the MPLA.

President Senghor is reported to have said that he would recognise Eritrea, the region which is waging a secessionist struggle against the Addis Ababa Government, if Ethiopia recognised the MPLA.

Senegal, together with a bloc of French-speaking West African countries and Zaire, have been strongly opposing resolutions calling for the recognition of the MPLA and some of them, according to a source within the OAU hierarchy, have threatened to walk out of the summit and possibly the organisation if the militants insist upon MPLA recognition.

The entire question of recognition, however, is fraught with procedural uncertainties. The opponents of MPLA recognition could, by removing themselves from Addis Ababa, deny the body its quorum of 31 votes necessary to frame a resolution on a substantive matter. Neither is it clear whether MPLA could be seated within the OAU on a simple numerical majority. However, diplomatic observers believe that the OAU could be split asunder if it were to be decided that a simple majority would suffice.

In spite of the strong passions felt among the members — Zaire, for example, has strongly supported Holden Robertos' FNLA, while President Machel of Mozambique, on Saturday made a full-blooded speech accusing Unita of being agents for racist South Africa and opening the doors for South Africa to invade Angola — there is a powerful reluctance among members to take any steps which would overtly break the OAU, even temporarily.

Most observers feel that although the bloc favouring a compromise and non-recognition to any one movement is on the defensive now, the ultimate outcome of the summit will be some kind of face-saving formula calling for a coalition government.

Even President Idi Amin of Uganda, this year's chairman of the OAU, has called for a compromise. This morning, he said when asked what he thought the outcome of the summit would be: "We are trying to get rid of foreign influences. We are Africans. We must find an African solution."

## Coalition

At least one of the liberation movements, Unita, to-day called for a coalition government. Dr. Jonas Savimbi, the Movement's president, at a Press conference categorically denied that South African troops were fighting for the FNLA-Unita coalition and said a "coalition is the only solution otherwise the fighting will just go on."

Both Jonas Savimbi and the FNLA leader, Holden Roberts, attended the public open session but have been excluded from the closed talks, as has the MPLA delegation.

IN WASHINGTON the U.S. Defence Department denied a report that the U.S. had sent a naval task force last month to the area off Angola.

LOMBARD

# The Malthusians may be right

BY C. GORDON TETHER

"TO SEE shortages of resources as undermining long-term growth is to ignore the starring role of prices," said the First National City Bank in an article in a recent issue of its monthly review which set out to show "how prices will foil the new Malthusians."

It was another product of the campaign now being developed by the "hands off market forces!" brigade to convince the world that no special measures are going to be needed to keep the demands being made on its resources within the limits of supply. Why—well, because whenever shortages are threatened, the resulting rise in prices will stimulate yet another round of technical innovation, which in due time will ensure that what is needed will be there.

A first point that should be made is that one of the reasons why the "new Malthusians" have been pressing for a new approach to the matter of the use of the world's resources is, that for a large slice of its population, the "starring role of prices" has never produced any long-term growth of value at all.

## Denied them

Some time back, Oxfam published a picture making a cost-benefit comparison between the technological progress achieved by Concorde and that represented by equipping an impoverished Third World settlement with a metal bin, supported on two bicycle wheels, to transport water from distant wells to the villagers' homes.

The very fact that there are still large numbers of people who are without such simple equipment shows that much of the Earth's population is still being denied the benefits of what is generally recognised to be the world's earliest major technological advance—the wheel. The result is that almost all the technological progress that has been made since then has completely passed them by.

In other words, a substantial part of the world's population has nothing to thank the "starring role of prices" for. Indeed, it has good grounds for seeing it as part of an economic mechanism which is designed to ensure that the fruits of world progress go very largely to those that already "have" and which has very little sympathy at all with those on the outside looking in.

But let us, for the sake of the argument, leave aside this crucial aspect of the matter. Is it, then, really as certain as the First National City Bank's examination suggests that resources exhaustion will always be prevented from acting as a major obstacle to the continuance of economic growth by technological innovation spurred by the "starring role of prices"?

In the course of developing its case, the article makes the point that a short-term inability to process resources efficiently is quite a different matter from complete resources exhaustion. And it goes on to assert that the bulk of economic history argues that doomsayers in the past—such as Malthus—have confused the former with the latter and that the Club of Rome has now fallen into the same trap.

The recent shift in prices, it concludes, will set in motion another round of technological innovation. So that, although progress may be slow, the prospect of total resource exhaustion and economic stagnation is "little more than the product of simple extrapolation gone wild."

## A first time

There is, however, a first time for everything. And there is one thing that this convenient and comfortable way of looking at the resources issue fails to recognise. It is that, because of the pace at which the world's population is growing and because of the extent of the pressure for higher and higher living standards from that population, we may well be moving into a phase wherein technological progress is not going to be able to cope even with all the help it can get from the "starring role of prices."

All told, the demands made on resources could well be multiplied some three to four times between now and 2010. Remembering that most of the accessible resources have now been tapped, the challenge that this is going to throw down to technological progress will be formidable—far, far greater than anything it has had to contend with since Malthus issued his warnings.

What, then, makes the most sense? Should we go on pinning our faith to the theory that, suitably unleashed, market forces can dispose of any resources problem, no matter how gigantic or unprecedented it may be? Or should we recognise that, in so doing, we would be dicing with the future of humanity—something that we have no right to do—and for no better purpose than to enable us to go on pursuing our present mode of life?

It is curious indeed that banking institutions, whose watchword is supposed to be prudence, should so often be foremost among those urging us to adopt the gambling alternative. Is it because, on the record, they see themselves as standing to lose most from a switch to a more circumspect approach?

THE WEEK IN THE COURTS

# Airlines up in the air about over-booking

BY JUSTINIAN

THE POLICY of the major international airlines of over-booking their flights, in order to counteract the effect of large numbers of passengers who make reservations but do not turn up at the airport, took a severe knock before Christmas.

The House of Lords upheld a finding of the Stockport justices that a statement made by an airline to a passenger confirming a reservation on a specific flight, on a specific day, was a false statement within the Trade Descriptions Act, 1968.*

A passenger had bought a Bermuda-London return ticket from BOAC. When in London he confirmed his return booking by telephone and later was given a written confirmation.

It said: "I have pleasure in confirming the following reservations for you: London-Bermuda Flight BA 679—Economy Class—August 29—depart 15.25 hours, arrive 17.50 hours."

When the letter was written to the passenger, the flight was not over-booked; the booking on the flight had been made; the airline had a general policy of over-booking its flights; and the passenger was ultimately prevented from travelling on the flight because the over-booking policy was applied.

The justices held that that letter contained a false statement and was made recklessly; it was also probably a false statement which the airline knew to be false.

The divisional court disagreed, holding that the statement made was promissory in character and was not a statement of an existing fact, so that it could be neither true nor false.

The House of Lords agreed with the justices. The crucial question to be asked was whether the letter, was likely to be taken by the passenger for a statement as to the time at which the airline's service was going to be provided.

Whether it was likely to be so read by the passenger was a question of fact.

It is an essential feature of the Trade Descriptions Act that, when it has to be considered whether descriptions or statements are misleading, it is the meaning they are likely to bear to the persons to whom they are addressed and not the meaning attributed by a trained legal mind.

The justices, as the judges of fact, were entitled to conclude that the airline's letter, in the light of the over-booking policy that was being consistently operated, was untrue, since the booking, though very likely to be a firm one was exposed to a risk that it might not give the passenger a seat on the return flight to Bermuda.

The law's approach is best exemplified in a case where there is no underlying policy about reservations.

If a person asks for a particular room at a hotel and the manager replies that he has reserved it for the dates requested, there can be no doubt that the manager conveys to the guest that it is the hotel's intention, at the time when the manager confirms the booking, to keep that room for the guest and not to let it to anybody else on the specified dates.

The same would be true of a numbered seat at a theatre or concert.

If the guest finds when he arrives that someone else is occupying the room, that might be for one of three reasons.

## Defence

It might be that some mistake has been made, in which case the manager would probably have a defence to a charge under the Trade Descriptions Act by relying on a section in the Act that specifically exempts a person who mistakenly makes a false statement or description.

Alternatively, the manager, at the time when he wrote the letter confirming the booking, might have intended to reserve the room but later abandoned that intention, perhaps because a more important guest had come along wanting the room.

In that case the manager might escape liability under the Act because his letter had correctly expressed his intention at the time he wrote it. It would be for the magistrates to judge the sincerity of the manager about his intention.

The third possibility is that the manager had never intended to keep the room for the guest, if that would require him to refuse all bookings that might possibly conflict with the one confirmed.

In that case the manager's statement in the letter of confirmation would be false, because it implied that he had an intention that he did not in fact have.

That third possibility fitted exactly the airline's case. It was the overriding policy of over-booking at the time when the letter of confirmation was sent that made the statements in the letter untrue.

The Law Lords were at pains to point out that they were wholly unconcerned with the commercial soundness or otherwise of the over-booking policy.

Such questions were not for the court but are primarily within the control of administrative authorities—the Civil Aviation Authority, the relevant Minister in this country and similar agencies abroad.

But the effect of the decision, which is to expose the airlines to prosecution and conviction in cases where they confirm a booking, knowing at the time that there is a risk that the passenger will be off-loaded and have to wait for another flight, is to prompt an abandonment of the over-booking policy.

How do the airlines guard against the potential loss to them if large numbers of passengers at the last moment cancel bookings which cannot then be filled?

The airline might demand a forfeitable deposit at the time when the passenger makes his reservation.

So far, airlines have not insisted on deposits for airline bookings, partly because competition has been so fierce that to impose such a system would seriously deplete business in favour of those that took the risk of late cancellations.

But an international agreement between all the major international airlines should be possible.

In the meantime British Caledonian, Britain's largest independent airline, has announced that it will compensate passengers who are booked on a flight but are off-loaded as a result of over-booking. The trouble about that solution to the airlines' predicament is that it does not avoid the statement of a firm booking being false, and thus falling foul of the Trade Descriptions Act.

The courts might disavow any desire to dictate to airlines their commercial policy, but clearly the application of the law has decisively injected an element that necessitates a change in that policy.

* *British Airways Board v. Taylor (Inspector of Trading Standards, Manchester).*

## Bristol toll ring plans attacked

PLANS for a ring of toll booths round Bristol to charge motorists for entering and leaving the city centre in peak periods came under attack yesterday from Transport 2000 the transport watchdog group.

The £52m. plan would include 34 tolls.

The Avon branch of Transport 2000 says that though such a cordon would reduce traffic, improve the environment, aid pedestrians and free bus movements, "to an extent it simply pushes the problem elsewhere," increasing traffic levels outside the cordon and outside present peak periods.

SOCCER — BY TREVOR BAIL

# Brilliant wingers help United put on the style

MANCHESTER UNITED moved to the top of the first division after humbling Queen's Park Rangers in a sparkling display at Old Trafford. The score, 2-1, fails to convey their marked superiority. If their finishing had been half as deadly as their approach work, and if Parkes had not brought off some memorable saves, they could easily have scored another four.

The 58,000 who turned up to see Manchester "putting on the style" were not disappointed. Despite the difficult wind, their football was fast and fluent, clever and clean, exciting to watch, and fun to play.

Rangers are a cultured team. Though they could not match the dash or the flair of their young opponents, they contributed much to the entertainment. Francis was back to his best, and their defence, which was frequently swamped by repeated and varied assaults, never surrendered.

Much of the early pressure came from the United, but Rangers took the lead in the ninth minute with a well-taken goal by Givens, after an exuisite pass from Masson had opened a large gap in the Manchester back four.

Hill equalised with a powerful shot, but the goal would never have happened if Bowles, looking lost, had not found Pearson instead of his own 'keeper with an unnecessary back pass. Shortly after Bowles limped off, to be replaced by Abbott, and Francis moved up to a position somewhat akin to that of a deep-lying centre-forward.

Despite their continuous attacks, Manchester United had to wait until midway through the second half before they scored what was a somewhat lucky winner. A long shot rebounded off a defender to McIlroy, who capitalised on this unexpected bonus.

There are several reasons why Manchester United are doing so well and are so worth watching. First, they are tactically different from the other clubs. ... not employ the now a[...] dard 4-3-3, or 4-4-2 ... Instead they use two wingers Coppell and [...] two artistic strikers, [...] and McIlroy, different [...] plementary. Behind, [...] and sometimes in front [...] clever and inventive Ma[...] Daly, plus the custom[...] four.

Secondly their sextet [...] wards and halves are a [...] skilled ball manipulator[...] do not include an unco[...] ing ball winner in mid[...] rely on speed to upset [...] possess their opponents.

Thirdly this talented [...] side is playing with [...] pace and enthusiasm [...] unsurpassed in the [...] Finally, their game is [...] attack, rather than con[...]

There must be some [...] tions about their rearg[...] Pearson is not at the [...] converting sufficient ch[...] they may not win the c[...] ship, but it would be a [...] for the game, if we [...] their particular brand c[...] at Wembley next May.

More Sport on page 36

# Seven good minutes, bar the h[...]

BY KEVIN RAFFERTY

LEEDS UNITED'S 2—0 defeat of Stoke City at Elland Road on Saturday moved them up to second place in the first division, and they have a game in hand over Manchester United, the League leaders.

First the goods bits. For the first goal, Yorath and Cherry dillied and dallied long enough in midfield for the crowd to show its restlessness before a cross was slung over; Clarke headed, a mere touch; McKenzie headed, another touch. Shilton was sprawled all over the place but nowhere near the ball as it entered the net.

For the second, Lorimer's free-kick from just outside the Stoke penalty area should have been covered by a 10-man wall, long and thick enough to keep out an army, but it was not because Clarke jumped, Shilton fumbled, and Bremner tidied the ball into the net.

Apart from those flashes of excitement there were several neat shows by McKenzie, a few deft touches from Clarke, a couple of close calls from Lorimer, for Leeds; and some Salmons skill for Stoke, a bit of bubbling from Mahoney and Greenhoff's outrageous failure to find his feet with Harvey and Leeds at his mercy.

Add it up and it came to about seven minutes out of 90, or 10 if you include the hugging and the fussing after the goals.

The rest was made up of 41 stoppages for fouls (16 by Leeds, 25 by Stoke), ten for offside (all by Leeds), eight for corners; some pretty dreadful "ham" acting by the referee, Mr. John Homewood, who seemed intent on playing a passionate arm-flinging Romeo, even when awarding a freekick for offside; and football as remorselessly boring and unimaginat[...] squally rain.

Leeds were the sligh[...] in that they worked [...] gether and had McKe[...] showed that he has c[...] they were too lazy a[...] in fire. Stoke were [...] enthusiastic, but showe[...] brutality.

In his programme [...] Jimmy Armfield, the Le[...] ger, blamed the preser[...] society for the lack [...] players.

"All the great play[...] past usually came fro[...] deprived areas. Footb[...] chance to escape [...] stranglehold of poverty. Whatever the merit of [...] the public are showing [...] will not put up with s[...] stuff. The remedy [...] hands and the feet of t[...] if they want to go or [...] their prosperity as f[...] and of the administra[...]

RUGBY UNION — BY PETER ROB[...]

# France halt Scottish victorie[...]

A YOUNG and determined French XV rudely interrupted Scotland's succession of victories at Murrayfield with a surprice 13—6 win on Saturday in a game marred by turbulent wind.

Scotland led quickly through a dropped goal by Morgan and would have built up their lead to 6—0 after 20 minutes, had Mr. Pattison not wrongly annulled a successful kick. He later admitted his mistake.

This unusual incident took place after McLauchlan, lying in front, had held the ball for Irvine.

Romeu then kicked a penalty to level the scores and, on half time, France scored a classic try. Droitecourt countered excitingly and Gourdon rounded Irvine quickly, cross-kicking to the centre where Cholley took the ball. Dubertrand finally scored in the corner.

These two events were awful blows for Scotland, who had to face the wind in the second half. Romeu kicked two more penalties, to one by Renwick, giving France the victory which has caused a major upset in the international season already.

## Penalties missed

Scotland have only themselves to blame because Morgan and Irvine missed eight penalties between them, Morgan once from a mere 28 yards. Properly Scotland put up the high ball, but it became the standard form of attack and the French did not cave in as perhaps expected.

Scotland had one early 11-play movement, but their handling movements thereafter were limited until the final moments. Too late, they realised the initiative had slipped from them.

Scottish forwards gobbled up the early ball at the rucks and line-outs when France were persistently penalised. McHarg and Mackie covered the field tirelessly, but in face of such harassment the French centres Bertranne and Sangali tackled firmly. Rives was on to Telfer like a thunderbolt.

Rives' contribution was massive both in defence and in his omnipresent support, a performance of the highest class.

With Skrela and Bastiat policing Morgan, Scotland desperately needed Hay to infilter the line. However, having fumbled earlier French kicks, the Scottish full-back lost his nerve and had a nightmarish game.

There was also little evidence of collusion between the Scottish backrow and Morgan.

It was a great and courageous performance by the French pack, who are ill-acquainted with the laws of the scrum. Cholley, Paco and Paparemborde held their own against the redoubtable Scottish front row, but it needed two or three Frenchmen to pull down surges by Brown and Carmichael.

In the second half, however, they key to the match was that the French pack foun[...] tive spirit. A fine exam[...] time tackling by the [...] was quickly imitated [...] colleagues.

Bastiat was the foc[...] the line-out where [...] frequently gave him [...] illegal protection. In [...] France began to smug[...] at the maul and drive [...] and ball at the ruc[...] Fouroux something to [...]

## Great confidenc[...]

Fouroux is not th[...] passer, but he imbue[...] with a great sense of [...] and never flinched fro[...] the Scottish forwards [...] the kicks.

Haget and Palmie[...] stature as the game [...] but it was interesting [...] French preferred to e[...] pressure by passing an[...] by the boot.

Unlike Scotland, th[...] their play. For exam[...] was at scrum-half for [...] men line-out. Bastiat [...] the base of the scrum, [...] wheeled disruptively. D[...] came into the line or [...] drifted ominously midi[...]

In short, France hav[...] the early holocaust. T[...] that hit more danger[...] ran more skilfully, [...] greater profit.

Scotland will puzzle [...] a day why they didn't [...] up in the first half.

RACING — BY DOMINIC WI[...]

# Sporadic should keep up run

THREE HIGHLY PROMISING five-year-olds — Asdic, Acquaint and *Sporadic* — meet in to-day's five-runner Golden Miller Pattern Hurdle at Leicester and this event is likely to draw a good-sized crowd to the Midlands track.

Asdic, top weight with 11 st 13 lbs, will probably be the one to head the market. This Staff Ingham-trained Aztec horse has not been hard-pressed to win each of his four hurdling ventures.

A two-length winner from Wilmore, to whom he was giving 3 lbs, in the 20-runner Oakleigh Hurdle at Kempton on Boxing Day, Asdic had previously put up an even more impressive display when landing the valuable Garswood Pattern Hurdle at Haydock towards the end of November.

There, Asdic made all the running and, in spite of hitting the final two hurdles, had four lengths to spare over the more experienced Dawlish, from whom he was receiving only 7 lbs.

Acquaint is unbeaten in his only two outings over hurdles. An impressive winner of a minor event at Worcester on December 10, he went on to justify odds of 2—5 in Fakenham's Panama Cigar Hurdle qualifier 10 days' later with the minimum of fuss.

He was sent on approaching the final flight there and had only to be kept up to his wor[...] with hands and heels [...] Grand Display by thre[...]

Unlike Asdic and [...] Sporadic needed a coup[...] ings before finding [...] form. However, Josh [...] progressive gelding is [...] a profitable run after [...] at Sandown and Lingf[...]

His most recent f[...] eight-lengths victory [...] Beacon Light in I[...] Panama Cigar qualifier [...] cember 6, suggests that [...] not be out of his depth [...]

It shall not oppose th[...] raced *Stublick* in Divi[...] the Nomad Novices [...] Richard Head's Fury R[...] ing showed notable [...] when going down by on[...] length to Son and Heir [...] tenham recently and [...] benefit of that run—his [...] the season this aft[...] modest opposition sho[...] sent few problems.

At Windsor, where F[...] far from confident choic[...] tricky Smiths Lawn [...] *Landing Party* appeal [...] [...] in Division [...] at the Combermere H[...]

**LEICESTER**

1.00—Stublick**
1.30—Sporadic***
2.00—Double Negative
2.30—Yanworth
3.00—My Sunshine
3.30—Barney Maclyvie

**WINDSOR**

12.45—Landing Party
1.45—Sectra
2.45—Flap
3.15—Sportsky
3.45—Textron

# TV/Radio

## BBC 1

9.38 a.m. For Schools, Colleges. 10.45 You And Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mr. Benn. 2.01 For Schools, Colleges. 3.15 Anno Domini. 3.58 Regional News (except London). 4.00 Play School. 4.25 Roobarb. 4.30 Jackanory. 4.45 Blue Peter. 5.10 John Craven's Newsround. 5.15 Peter and the Princess. 5.40 Paddington.

5.45 News.
6.00 Nationwide.
6.55 Ask The Family.
7.20 Z Cars.
8.10 Panorama.
9.00 News.
9.25 Monday Film: "The Masque of the Red Death" starring Vincent Price.
10.55 Tonight and every weeknight.
11.30-11.32 Weather / Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 2.18-2.38 For Schools in Wales. 6.00-6.55 Wales To-day. 6.55-7.20 Heddiw. 11.30 News and Weather for Wales.

Scotland—11.00-11.20 a.m. For Schools in Scotland. 6.00-6.55 p.m. Reporting Scotland. 10.55-11.30 Public Account. 11.30 Scottish News Summary.

Northern Ireland—3.58-4.00 p.m. Northern Ireland News. 6.00-6.55 Scene Around Six. 11.30 Northern Ireland News Headlines.

England—6.00-6.55 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South West (from Plymouth).

## BBC 2

11.00 a.m. Play School.
3.30 p.m. The Caterers.
4.00 State of Play—Pre-School Education Now.
7.05 The Do-It-Yourself Film Animation Show.
7.29 Weather.
7.30 Newsday.
8.10 The Waltons.
9.00 How Green Was My Valley.
9.50 Horizon.
10.40 Diversions.
11.15 Newsnight.
11.30-11.35 Closedown. Leslie Sands reads "On Rising Early" by Robert Graves.

## LONDON

9.30 a.m. Schools Programmes. 12.00 Issi Noho. 12.10 p.m. Mr. Trimble. 12.30 The Amazing World of Kreskin. 1.00 First Report: News, FT index. 1.20 Lunchtime To-day. 1.30 Emmerdale Farm. 2.00 Good Afternoon. 2.30 "Assault on the Wayne" starring Leonard Nimoy and Joseph Cotten. 3.55 General Hospital. 4.25 Clapperboard. 4.50 Rogue's Rock. 5.20 Batman.

5.50 News from ITN.
6.00 Today.
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Disappearing World.
9.00 Police Story.
10.00 News.
10.30 Looks Familiar.
11.00 Take Two.
12.00 Desperate Cases.

All ITV Regions as London except at the following times:—

## ANGLIA

[illegible] starring Ginger Rogers, Joseph Cotten.

## ATV MIDLANDS

[illegible]

## BORDER

[illegible]

## CHANNEL

[illegible]

## GRAMPIAN

[illegible]

## GRANADA

[illegible]

## HTV

[illegible]

## SCOTTISH

[illegible]

## SOUTHERN

[illegible]

## TYNE TEES

[illegible]

## ULSTER

[illegible]

## WESTWARD

[illegible]

## YORKSHIRE

[illegible]

## RADIO 1 247m

[illegible]

## RADIO 2 1,500m and VHF

[illegible]

## RADIO 3 464m, Stereo & VHF

[illegible]

## RADIO 4 434m, 330m, 285m and VHF

[illegible]

## BBC Radio London 206m and 94.9 VHF

[illegible]

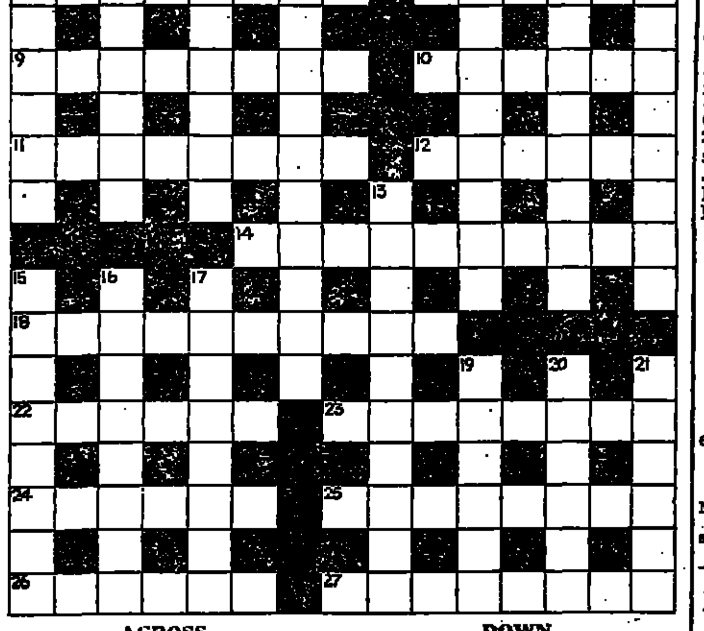
## London Broadcasting 261m and 97.3 VHF

[illegible]

## Capital Radio 194m and 95.8 VHF

[illegible]

## F.T. CROSSWORD PUZZLE No. 2,976



ACROSS

1 Rude sum I swap for the remainder (8)
5 Charges when shooting films? (6)
9 Tender requiring careful handling (8)
10 There is room at the top with a Greek department (6)
11 Perhaps a camera in the States (8)
12 The fellow gets right in the shelter (6)
14 Restrictive effect of one pound counterfeit (10)
18 Sound revenues about crooked ecclesiastics (10)
22 Sound currency in good positions (6)
23 Wickedness in the course is diabolical (8)
24 The princess is getting back some colour (6)
25 Norfolk town includes a quarter in case (8)
26 A strange result for a camp-follower (6)
27 Those on the way up must be nimble in the Civil Service (8)

DOWN

1 Cause of infuriation like Pravda (3, 3)
2 Change in Treasure Island (6)
3 A gang of thugs current in a party with it (6)
4 Too much for any Roman (5, 5)
6 Pretty good when District Attorney comes up to a city in Mass (3, 2, 3)
7 Prevalent half in a poem (8)
8 Working hard—to keep off the flies? (8)
13 To reach the royal road—it's something you cannot do (3, 4, 3)
15 Chooses the wrong players like the clumsy fly-fisher (8)
16 "Of his bright passage to the ——" (Richard II) (8)
17 Cardinal height (8)
19 A note about you being in the red (6)
20 "How far that —— candle throws his beams" (MOV) (6)
21 Cocktails? Not in these trousers (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

York music

# City Opera retrospect

by ANDREW PORTER

New York City Opera plays ı season: eleven weeks in ı and early winter, and ten weeks in spring. en them, the New York allet has its winter season State Theatre.) There ɔt performances a week. pertory is very wide. The f singing is very variable. roster of artists there elebrated international such as Beverly Sills osé Carreras; some of a's best young singers, ıs Richard Stilwell and Ramey; "house tes" of accomplishment, as Maralin Niska and ı Brooks; and a bewilder- riety of debutants, here- nd-gone-tomorrow hope- nd stalwart City Opera s.

theatre is large, a 2,729- Built for ballet, it has sightlines and poor ɔs. One can hear what s, but voices that would aller theatres ringing are orted by any sonic e from the house itself. coustics vary unpredict- ɔt only from seat to seat o from opera to opera ling on the texture of e and, perhaps here even han usual, on the kind r used). For *The Master-* the string section was up to Metropolitan size, sound still lacked body. xt day, from the same heard a *Turn of the Screw* s not only clear but also ate in its impact.

recent productions, many ı by Frank Corsaro, are eccentric and tasteless; ons and film sequences d ingeniously but with insensitivity. Others (a designed by Douglas W. a *Turandot* designed Montresor, both new last are traditional but ugly. ɔms' *Puritani* is one of ost successful décors: Eck's *Lucia* looks all but Tito Capobianco's contains absurdities. At ds "Son tue ciffre?" the used to draw a Lucia n signature from his l, like a suspicious bank- mpare it with the one on ding contract.

Rudel, the director of pany, conducts many of ɔr performances himself, urely, and sometimes— magical *Pelléas*, with and Stilwell—as one in- From Christopher ıere has been good work in that *Screw*, and in a *Village Romeo and* Imre Pallo made a very ıd début conducting l's *Die tote Stadt*. For Mr. Rudel seems oddly to give young conduc- re are several of merit country—the chances ffers to so many young

spring season, which xt month, promises new ɔns of *Lucrezia Borgia* ılls), *Il ritorno d'Ulisse* (the Leppard score, with Frederica von Stade as Janet Baker and Stilwell as Ulysses), and Josef Tal's *Ashmedai*; and revivals of Jack Beeson's *Lizzie Borden* and Douglas Moore's *Ballad of Baby Doe*. In the autumn season there was a New York première of *Fille du régiment* production (with Sills) that several companies have used; and then *The Mastersingers*, produced by John Cox, designed by Carl Toms, and conducted by Rudel.

Johanna Meier and John Alexander in 'Die Meistersinger'

Since the Metropolitan also does *Die Meistersinger*, there is a parallel with the Covent Garden/English National alternative productions. But the City Opera *Mastersingers* can hardly be compared with the ENO's. For one thing, Rudel is no Goodall: breadth, nobility, lingering and loving emphasis on the great moments—these are not for him. For another, the New York version is abridged by some 40 minutes. To the common cuts—David's recital of the modes, verses of the Cobbler Song and of Beckmesser's serenade—are added others: in the conversation before the Prize Song comes to birth, in the outburst that motivates Eva's "O Sachs! Mein Freund!" in both monologues of the final scene. Moreover, in just over a fortnight the company gave seven performances of the opera (with 11 other shows intervening), which is probably a record, even for a shortened *Meistersinger*, and put a considerable strain on the orchestra, the chorus, and the protagonist.

That protagonist was Norman Bailey, making his stage début here. (For Solti, he had sung Jochanaan in a Carnegie Hall *Salome*.) He used a judicious blend of the Sadler's Wells translation and the City Opera's English version by John Gutman. His performance was as definite, clear, and intelligent as ever but a shade less moving than at Sadler's Wells and the Coliseum. So it was at Covent Garden and Bayreuth—without the warmly emotional accompaniment that added romance and poetry to his thoughtful, incisive, and attractively reticent portrayal. Eva was Johanna Meier, who has the right sort of shining, unaffected lyric soprano but must cultivate legato. The first Walther, John Alexander, was efficient, and his alternate, Elliot Palay, was not exactly efficient but rather more ardent. Gary Glaze's David looked charming, but a sweeter timbre is called for. James Billings' sharp-cut Beckmesser stayed just on the right side of caricature. The Pogner, Richard T. Gill, bumbled.

John Cox's successes have been made mainly in works dependent on delicacy and finesse of individual characterisation—*Ariadne*, *Capriccio*, and *Intermezzo* at Glyndebourne, *Der Rosenkavalier* in Houston—without deeper undercurrents. His *Mastersingers* was neat but slight. One missed any feeling that he and Mr. Rudel were in love with the opera, and had inspired their cast to understand all the phrases like Eva's "Euch oder keinen" and David's "Kamm ein Lehrbub' volkommen sein?" and Pogner's "Und du, mein Kind?" have meant to people over the years, and should mean again every time the opera is performed. Carl Toms' scenery was workaday conventional in style, unromantic and awkward in its stage-plans.

It is hard to have any settled feelings about City Opera. Its producers' fancies and vulgarities can madden one. The singing varies between the first-rate and the dreadful. The repertory is adventurous—but why mount *Turandot* and *Salome*, both in the original language, without having outstanding protagonists on the strength, when next-door the Metropolitan already does these pices? (City Opera plays short seasons in Los Angeles and Washington, but it does not have the big national touring function that can justify Covent Garden/Coliseum overlaps. In fact, the Met is the principal touring troupe in this country.)

Some of my happiest City Opera experiences have been not on big first nights but when dropping into regular mid-season shows: a matinée *Faust* that was sparkling, spirited, and well sung; a straightforward, unaffected *Figaro*; two non-Sills *Lucias*, one with Ruth Welting as a touching, sweet-toned heroine whose notes fell into place with Pagliughi-like precision, the other with a complicated and interesting portrayal by Patricia Brooks; the *Village Romeo*, an opera I had not seen for many years; a matinée *Screw*, one of just two performances slipped into the season, presumably, to give the *Masteringers* chorus and orchestra a rest—an old production but performed, especially by Eileen Schauler and John Lankston, the Governess and the Quint, with uncommon freshness and finesse.

Belgrade Two, Coventry

# Orestes

by MICHAEL COVENEY

In Belgrade One it's still Pantomime time with Anita Harris and Simon Oates. But in the studio space across the way, the walls have been painted an asylum white, Noh masks hang forbiddingly from bamboo stems, the curse on the house of Atreus is represented by a circular blotch of red paint, and an audience of 40 sits packed together on an assortment of hard chairs and ground - level cushions.

One's fears, alas, prove only too well grounded when the cast of three appear in kung-fu outfits determined to stylise Euripides' bitterly passionate play until it kicks no more. Orestes, physically degraded and on the point of madness, and his sister Electra are expecting a sentence of death for their crime of matricide; uncle Menelaus arrives with Helen, but is of no help to them. When all seems lost, Orestes' good friend Pylades suggests they exit fighting, by killing Helen (which they do) and threatening the life of her daughter, Hermione. But the god Apollo intervenes and the passions of the characters are, for the moment anyway, suspended in a series of uneasy solutions.

I sketch a summary of the plot to point up the play's physical power. Argument and debate, too, is conducted with an animated ferocity that Paul Bernard's pallid production never once conveys. When Helen's father, Tindareus, comes pompously to bang another nail in Orestes's coffin, the hero is in the throes of a harrowing brainstorm and has a line about being anxious to hide fromv Tindareus's eyes. The actor is already hidden behind his mask (in action these masks look more Camelot than Noh) and his anguish is feebly semaphored in a series of wooden gestures.

And so it goes throughout. On hearing she must die, Electra moans away in tediously lengthened vowel sounds, producing the vocal effect but not the inner passion; the terrified Phrygian slave at the end is played à la Chinois, for camp laughs; Apollo enters like the Man in the Iron Mask, accompanied by the inevitable strobe lighting and police siren; Helen's offstage death scream is a crash on the cymbals and a high whistle.

You get the picture. This sorry, mock-serious mess is all a result of a refusal on the director's part to trust his actors with the play. As it is, Vincent Brimble, Christopher Ettridge and Sian Thomas are hampered by a phoney hotch-potch of production "ideas" that go no way towards grappling with the problems of Greek tragedy in general and this play in particular. The translation used is that of William Arrowsmith which is better than some available in English, although poor Pylades could do little with "We'll murder Helen; that will touch Menelaus where it hurst." Ouch!

The Entertainment Guide is on Page 7

## JCS at the Phoenix

Jazz Centre Society plans for January at the Phoenix, Cavendish Square, W.1, include the first London performance of a South African Suite written by saxist/flautist Bob Downes, on Wednesday, January 14.

On January 21 Talisker will play their blend of pibroch, Gaelic psalms and John Coltrane music. On January 28 Embryo will be featured. The first February session will be a live recording for Ogun Records by the Ray Russell Quintet.

King's Head

# The Browning Version

by B. A. YOUNG

If you want to understand why my generation believes Terence Rattigan to be a writer touched with genius, this production may help. Apart from the schoolmaster Crocker-Harris and perhaps the boy Taplow, the characters are stereotypes. Much of the dialogue—"We're finished, Millie, you and I"—is cast in terms of romantic cliché. Yet so ably are these puppets handled that the point where the boy gives the master this copy of the *Agamemnon* in Browning's translation is one of the great moments of pathos in our contemporary drama; and the immediate sequel, at which the event is poisoned by Mrs. Crocker-Harris's cruelty, sharpens it to screaming point.

When you can manipulate characters in this fashion, there is no need to apologise for dealing with middle-class ready-mades. If they can be inspired to achieve such an end, they are as useful personae in the theatre as gods or kings or factory-hands.

Crocker-Harris, however, is not a stereotype. This sad failure of a schoolmaster, bereft of affection or the need for affection, condemned to an old age of poverty and frustration with—or if he is lucky without—a faithless and vulgar wife, is a rounded and original invention who calls out for a performance of high quality.

This he is indeed given by Nigel Stock. Chubby, bespectacled and colourless, his tidy blue suit two decades old, his voice and movements are only the remnants of something that once lived. An existence that once held a love of the classics and a belief in teaching them has faded beneath the knowledge that carrying out a familiar daily routine is the limit of his capacity. The little explosions of passion that trouble, and once penetrate, the grey surface of his existence are conveyed with masterly understanding.

Stephen Galloway makes Taplow an averagely unlikeable boy, probably a swot, probably given to employing his cheek to counter general unpopularity: neatly observed except, I think, by the designer, who has put a badge on his coat pocket that would not be there in a school of this kind (based, I understand, on Harrow). Barbara Jefford makes Millie Crocker-Harris a bitch and Peter Baldwin makes Hunter, the master with whom she is having an affair, a decent middle-of-the-road usher, but neither of them is able to breathe the necessary life into the stereotypes. The director is Stewart Trotter.

# BFI awards for 1975

The British Film Institute Award for 1975 for the "most original and imaginative new film" premiered at the National Film Theatre during 1975 has been presented to the epic Greek film *The Travelling Players* directed by Theodor Angelopoulos. Mr. Angelopoulos will be coming to London on February 1 to accept the Award and to present a special screening of his film.

The BFI Award Committee also presented a special award to the British directors Kevin Brownlow and Andrew Mollo for their "highly original" film *Winstanley* produced by the BFI Production Board, based on David Caute's *Comrade Jacob*.

ɔeth Hall

# ıctoria Postnikova

ia Postnikova reversed ted order of Thursday's in programme, tackling reludes, Op. 28, first and he four single pieces for This meant that the received the slightly r inspiration of the ussian pianist's playing- od—whereas after the the playing was more ɔt in quality.

h I had not heard her 67, it was not hard to anticipation the lumi- ry beauty of her tone, ing of in-drawn breath, ıg wonder that one had n some of her phrases. she was still Leeds' con- second-prize winner, the tumble of natural impulses and rapt *cantabile* it was not le that one had imposed ss glow of a wronged

On Thursday, in the though the tone still and soared as before, it to a somewhat altered er — one apparently lculating, even a little d at present, content to the finer shades of softly and ever more ɔuched, to linger over her own pleasure only. too strongly put — for yrical shapes and paragraphs of the Preludes (notably nos. 19 and 23) there was nothing unprojected about the even flow of the phrases or their tender beauty of sound. But the scale of the whole composition appeared not to concern her. She was oddly dismissive (as well as often inaccurate) in the bolder, braver outbursts demanding speed, sharpness and ringing, firmly weighted sonority. It was almost as if she wished such things as the *Presto con fuoco* of no. 16 or the *fff* end to no. 18 as soon out of the way as possible, and herself back nursing and floating dreamy pianissimos. This was not, then, for all its beauties a full, balanced view of the music.

After the interval, balance was restored. It was possible to imagine quite different ways of playing the Berceuse (Op.57) or the F sharp Barcarolle the latter with sharper edges, its rhythms more firmly stroked, a more glinting array of tone-colours—but not possible to fault Miss Postnikova's own ways. She seemed to unfold the Berceuse on a single filament, stretched out with infinite span and resource (which is the illusion created by legato so fine and smooth, notes close together in tonal and dynamic pressure).

MAX LOPPERT

ıll Room

# ̲G Young Artists

t deal of good music for rano voice has been n this century, but the who can accommodate es to its difficulties, and in singers, are few. It sing, therefore, to meet Griebling a soprano who produce a beautiful line e, clear tones in so piece of acrobatics as edford's *Come in here*, ss Griebling has a neat, unded voice of the type seems possible if nur- American vowel sounds. tributions to Thursday's e Group recital were all g, though her selection was a little less so.

, a programme domi- y Barber's *Knoxville, of 1915* must have some *oxville* is not a poor it it has few qualities sitive than charm. Miss dealt with it in the y possible, bringing a pple drift of tone to the f idyllic family life in wn America. Only the d lingering top note insecurity in her voice. ıere the weaknesses in the compositions. s piece proved an em- ent to the accompanist, Moores, required to play ɔoint with milk bottles. These remained unscathed, but the work itself received some hard knocks from the unsatisfactory amplification, so that the care with which Miss Griebling modelled her fragile part could make little effect. In Girolamo Arrigo's *E ciasuno salutò nell'altro la vita* she provided the manifold things demanded of her voice, though was ill at ease, and understandably so, when thrown into histrionic poses.

Norman Forber Kay's *Interplay I: Somnia* was also somewhat theatrical, being a dialogue between the singer and her dreamt past (on tape). How anyone dare approach this theme after *Krapp's Last Tape* is past belief.

The other soloist featured in this concert was the clarinettist David Campbell. His virtues are clear and require few words: he is thoroughly at home with his instrument, can produce a lovely variety of colour and volume, and resists the harsh squeals of so much modern clarinet playing. Cage's early and gauche Sonata was aptly inconsequential, and McCabe's Three Pieces were shown as strong and purposeful, but the best performance was of Priaulx Rainier's virile Suite, with Andrew Ball a strident accompanist.

PAUL GRIFFITHS

Purcell Room

# Park Lane Group

by PAUL GRIFFITHS

The last of the PLG young artists' concerts, on Friday night, proved unusually exhilarating even for this valuable annual series. Keiko Tokunaga, a pianist of subtle, persuasive powers, gave several very fine performances, but the evening was dominated by the oboist Christopher O'Neal. He is an outstanding musician, one who seems to exist within his instrument when performing, rapt in concentration. From this it follows that his playing has a rare finesse and control. Nothing is left to luck: everything in his tone is acutely detailed to the music before him.

For this reason there seemed no presumption in his playing two works which are closely associated with Heinz Holliger, Berio's *Sequenza VII* and Klaus Huber's *Noctes intelligibilis lucis*. Comparison would indicate some lack in O'Neal's resources—he cannot manage, for instance, the splitting energy which sometimes pierces the air in Holliger performances—but judgement at this level becomes very largely a question of taste. In the Berio piece he found no difficulty in bringing out the many various gambits, from urgent entreaty to playful dalliance, which the oboe tries on the enigmatic, unchanging drone.

Huber's work, too, was done in a manner to show its expressive character in crisp focus. It is a tense, disturbed picture of "the dark night of the soul," done in splintered shafts of sound and numb stillnesses; and from O'Neal it came as an impressive statement of spiritual distress and rest. His remaining work was by Huber's pupil Brian Ferneyhough. *Coloratura* it was, a brilliant piece whose ideas and imaginative flights are strongly set out. In both the Ferneyhough and the Huber, Trevor Hughes was the alert keyboard player.

To return to Tokunaga, she might have shown herself to better advantage in a more varied programme. As it was, she played five preludes of Debussy and three other works closely dependent on his example: two of Messiaen's early preludes and the suite Japan by Hisatada Otaka. The Debussy pieces were fluent, sensitively coloured and rhythmically snappy, the last permitting an apt touch of comedy in in *Minstrels*.

It was interesting to hear in the Otaka some Japanese music from before Takemitsu, but the suite's four movements were much over-extended and surprisingly monotonous in rhythm. Though Tokunaga did her best with them, they were bound to come over as dreary, derivative and about as Japanese as *The Mikado*.

## Cinema repertory in London

The film distributors Seven Keys are to show seven full-length films in March for one night each at a West End cinema. They will then run for a fortnight each at the same cinema, and simultaneously will be released nationally for exhibition at suitable houses, of which a director of Seven Keys says "The small-seating cinemas were built by the circuits specifically to allow this kind of product to be released."

The seven films, to be known collectively as "The British Film Theatre" (though they were known collectively in America as "The American Film Theatre") are *A Delicate Balance* (Katharine Hepburn, Paul Scofield); *Galileo* (adapted from Brecht: John Gielgud, Topol and superior British cast); *Butley* (Alan Bates, directed by Pinter); David Storey's *In Celebration* (Alan Bates again, directed by Lindsay Anderson); Osborne's *Luther*; *The Maids* (Glenda Jackson, Susannah York, Vivien Merchant); and Pinter's *The Homecoming* (with the RSC cast).

## John Rowan Wilson Award

The John Rowan Wilson Award (£300) has been won by Colin Douglas, a new Scottish writer, for his first novel *The Houseman's Tale*, published in November 1975 by Canongate Publishing. Colin Douglas is the pen-name of a practising doctor. Born in Glasgow in 1945 he graduated in medicine at Edinburgh University and now works in an Edinburgh hospital.

The award is made annually, as a memorial to the late John Rowan Wilson, for a work making a contribution to wit, style and lucidity in treating medical subjects, and was set up by the journal World Medicine.

THE JOBS COLUMN

# Self-export · job-creation

BY MICHAEL DIXON

IT IS the Hutchison International group which is offering, through Merton Associates (Consultants), that £20,000-salary, £8,400-rent-allowance, chauffeur-driven-car, etc. job for a financial director in Hong Kong.

And it is obviously being viewed as an alluring self-export opportunity by British company finance chiefs, according to Michael Silverman who, as part of his work at Merton (1-5 Queen Street, London EC4N 1FB. Tel. 01-248 7421), is acting as a personnel adviser to Hutchison. About 36 hours after first advertisment of the opening appeared in this newspaper on Thursday he reported an inflow of more than 90 replies.

He says he's impressed not just by the number of candidates, but also by their quality. They include top finance men from 15 of the country's 1,000 largest companies.

But, while a good proportion of the inflow apparently has the required combination of qualified accountant's status and successful experience across the range of big-group financial work, the ideal still has not turned up. This is because the ideal would have a record indicating high-level general management skills covering production and distribution.

Is there a paragon in the house?

THE MATTER of top British workers' interest in self-export reminds me of a ringing statement made in London last week *in the presence of Michael Foot*, the Secretary for Employment. It was:

"What British industry has in abundance—and what charitable and voluntary organisations are short of—is good management. I haven't talked to any voluntary or charitable organisation that would not welcome an input of professionalism from this source."

The words were spoken by Dewi Rees, of the Manpower Services Commission, at a meeting intended to persuade the private sector of industry and commerce to inject more money, materials and manpower into the Government's £40m. job-creation programme. Of about 1,250 projects submitted for the programme so far, Mr. Rees told about 100 representatives of august concerns, only half a dozen or so had been sponsored by the business sector.

One of the few is National Westminster Bank, which is now offering to form a small consortium of companies with the aim of assembling a sizeable sum for a joint sponsorship within the programme, whose rules appear to ban any project foreseen as being profitable in a conventional economic way.

In view of this, it seems surprising that none of the audience got up and asked Mr. Foot plainly whether the Government didn't think that it might do better to pay less attention to cajoling potentially productive business concerns into diverting resources to the restricted possibilities of job-creation, and more attention to measures which would enable the private sector to make greater use of the same resources in the ways it knows best.

But in spite of the audience's reluctance to face Messrs Foot and Rees squarely with the evident fallacies of this appeal to the private sector's "community-consciousness," less public conversations overheard during the drinks session afterwards, suggest that the appeal fell on rather stony ears.

"With the Exchequer squeezing private industry until the pips squeak," one man from a large brewery group told Dewi Ress, "I think the Government has a bit of a nerve to come asking us for resources we can't afford to help invent something to do for the people it is preventing us from employing ourselves."

Perhaps it is the fact that such appeals to community-consciousness have similarities with the question "have you stopped beating your wife yet?" that inhibits the company sector from showing publicly the same courage of its own logic. But, whatever the reason, it is a pity that it does not do so.

STANLEY SILVER, who three years ago bought back the Skipton-based company, Peter Prince, from Carrington Viyella, is looking for a managing director. The company, which is a converter of ready-made curtains, bedspreads and piece goods, has budgeted sales of £1.5m. for the 1976 financial year. Candidates need experience of production control and methods at the converting end of domestic furnishing, and knowledge of financial control. Age about 40-45. Salary about £6,000. Car. Inquiries to Mrs. Kober at 207 Edgware Road, London, W2, tel. 01-723 4433.

HERE are two offers through Professional and Executive Recruitment. Telephone the consultant named on 01-235 7030.

The Cartner Group wants someone with appropriate industrial experience and at least a Higher National Certificate in electronics to manage the design/drawing office and a light assembly manufacturing unit of its electronics division, which offers sub-contracting services. Base Harrow. Salary about £5,000. Car. Richard Williams, extension 325.

The Employment Service Agency wants a registered nurse with much professional and/or administrative experience as chief nursing consultant leading small team of professionals. Base, central London. Scale £6.968-£7,364 plus weighting. Colin Hodsdon, ext. 351.









HOME NEWS

# Views on industrial aims are sought by Tories

BY PHILIP RAWSTORNE

TRADE unions and trade associations have been invited to participate in a review of the Conservative Party's industrial policy.

Mr. Michael Heseltine, Conservative spokesman on industry, said yesterday that he had written to them asking for their views on a range of industrial issues.

"I hope to secure the widest possible contribution to the Conservative Party's thinking on industrial policy," he said.

The party's industrial policy group was seeking the views of both sides of industry on the effects of the Industry Acts and, in particular, of the National Enterprise Board and planning agreements.

Comments were also being sought on government policy towards the nationalised industries, on sources of investment finance, company taxation and the implications of the Sandilands Report on inflation accounting.

Mr. Heseltine, who foreshadowed his move in a weekend speech to the Conservative Political Centre in London, said that the party should assist in achieving a constructive partnership between government and industry.

"Rather than follow the practice of the Left in industrial matters of setting up study groups of self-styled experts. . . . I see nothing but advantage in opening the dialogue to a much wider audience.

"Groups of people in management and on the shop floor have ideas they want to express. They can participate in the submission of ideas that will be properly considered by this party in its determination to hammer out an industrial partnership based on trust."

He hoped the exercise would stimulate the involvement of industry in the political dialogue.

After earlier discussions with industry, the CBI had decided to organise an exhibition of material for furthering employee communication.

"Little by little, industry must use its political power to impress on Government the value of its advice and the nature of its problems.

"It cannot do this if it merely pussy-foots with civil servants behind closed doors. Industrialists must understand the processes of a parliamentary democracy. They must become articulate, both towards their own workers and to the wider political audience."

Sir Geoffrey Howe, Opposition spokesman on Treasury and Economic Affairs, told the conference that much of to-day's inflation and unemployment should bear the label "Made in Westminster."

"We shall all have to face up to fundamental decisions about the future of Britain," he said.

"And these decisions must begin from the recognition that it is in Westminster, in Whitehall and in town and county halls throughout the country that much of our vitality has been drawn away."

More Home News on page 36

# Verdict on last year is due from statistics this week

BY MICHAEL BLANDEN

LAST YEAR'S FIGURES for the U.K. economy in terms of the inflation rate and the level of the trade deficit will be illustrated by statistics due this week.

On Friday, the December trade figures will show how far the U.K. has managed to recover from the £3.7bn. current account deficit recorded in 1974.

The signs so far have been that the deficit last year could turn out in the range of £1.75bn. The current account deficit in the first 11 months of the year came to just over £1.6bn., which included a relatively high November figure, the worst since the summer.

The improvement over 1974 has been helped by a good performance during the first half of the year because of the sharp run-down in industry's stocks. In the second half, however, there was a significant deterioration.

There has been growing conviction both in Whitehall and more recently in the City—reflected in the gilt-edged market—that the counter-inflation policy will enable the official targets to be met.

The December *cost-of-living* index is due on Friday, completing the year's figures which in recent months have already shown a sharp deceleration in the rate of price inflation.

In the 12 months to mid-November, the index rose 25.2 per cent. Though well above the single figure rates which the Government is aiming at by the end of next year, this showed a continuing reduction in inflation from the peak year-on-year rate of 26.9 per cent. recorded in August.

Over the four months from July, covering the period since the wage controls were introduced, the retail price index rose by only just over 1 per cent. a month.

In the next few months, the cost of living will be affected by normal seasonal food price rises, but against this it is expected that wage restraints will make an even more substantial impact.

The outlook for retail prices is slightly uncertain because of retailers' recent concern to achieve greater flexibility in official plans to limit price rises to 5 per cent. in the six months from February 1.

But there are recent signs of an easing in the upward pressure of manufacturers' raw material costs. The latest figures for wholesale prices, covering both input and output prices for December are due to-day.

In the three-month period to November, the average level of output prices—the cost of goods leaving the factory gate—rose at an annual rate of less than 12 per cent. This will work through to the retail price level in coming months.

On Thursday, the November index of industrial production will be studied to see whether it confirms previous signs that the U.K. recession has reached bottom and that the economy may even be starting to recover.

# Food prices rose less than 1% in third quarter last year

BY PETER BULLEN

FOOD PRICES rose by less than one per cent. in the summer quarter last year, the Ministry of Agriculture's *national food* survey shows to-day.

During July-September, average spending on food to eat at home rose by only 3.4 per cent. — and 2.6 per cent. of this was due to the buying better quality food or larger amounts.

Each person spent £3.88 a week on average, with spending on meat up by 7p, potatoes 3½p and milk 2p. Spending was 72p—or almost 23 per cent.—up on the same quarter in 1974, with meat, potatoes and milk largely responsible.

The increase in money spending over the 12 month period was due to rising food prices and not an increase in the real value of food purchases, which was one per cent. lower, in spite of the continued trend to more expensive convenience foods.

Consumption of green vegetables fell because of shortages caused by the hot, dry summer. Each person ate on average 13.1oz a week—down from 16.6oz.

But sales of canned and frozen produce benefited.

There was also a marked increase in consumption of tomatoes, cucumbers and other fresh vegetables home-grown in gardens or allotments.

With potato supplies short and prices averaging 8.2p a lb compared with only 3.3p a lb in the same period in 1974, consumption fell from 43.6 ounces to only 36 ounces a person. But spending more than doubled from 7.9p to 16.15p a week.

Subsidised butter sales, *buoyant earlier* last year, followed the usual summer pattern and dipped from 5.8 oz. to 5.53 oz.—the same as in the third quarter of 1974. Margarine sales were badly hit with consumption falling to only 2.4 oz. a person—the lowest since the survey started in 1940.

Beef consumption was 11 per cent. higher than in the corresponding 1974 quarter at 8.22 oz. a person a week, which more than offset decreases in the quantities of lamb and pork eaten. Poultry and fish showed little change.

Milk, tea and coffee consump*tion fell slightly* on the previous year.

"Consumption of eggs was barely changed at 4.13 per person a week, but the smoothed trend still appears to be following a downward course, even though the trend in the real price of eggs has also been downward since 1973," the report says.

Household sugar purchases, which fell to about 10 oz. a person at the beginning of last year, remained at that level until June when they rose to average 12.23 oz. for the third quarter. This was about one ounce below the 1974 third quarter although the price of 13.6p a lb was still more that double the previous year's level.

Fewer cakes and pastries were eaten, but consumption of bread, other cereal-based foods, cheese, yoghourt, cream and fresh fruit was virtually unchanged.

The overall effect was that intakes of all nutrients except vitamin A were as high as or higher than in the second quarter of last year, although not as high as in the comparable quarter of 1974, the report says. There was the usual seasonal increase in vitamin C, despite the drop in potato consumption.

# Textile labels must name contents from to-day

BY RHYS DAVID

ALL TEXTILE products put on sales in shops in the U.K. must by law from to-day carry an indication of their fibre content under new EEC regulations.

The regulations are designed to give the consumer a better idea of what he is buying. They mean that a man's suit must carry a label saying how much wool, polyester or other fibre it contains. Lining material must also be specified.

The new labelling requirements, brought in progressively for most goods in the shops over the last two years, apply to all products containing 80 per cent. by weight of textile fibres.

The goods must carry an indication, either in permanent or temporary form, of the generic name of the fibre and the percentage composition by weight.

The requirement to use the generic name—such as polyester, nylon and wool—is likely to remove sombe of the confusion to consumers through use of brand names. These can be an indication of quality, but the consumer has often been unaware which fibre is covered by which brand name.

Goods now must state the fibre type, such as polyester, and can also carry a brand name, such as Terylene.

It is up to the retailer to ensure that goods carry the proper labels. He will be liable to fines of up to £400 on summary conviction and up to two years' imprisonment, in addition, on conviction by indictment.

Labels on old stock which do not comply with the new law must from to-day be obliterated, covered up or removed. Such goods will then have to be re-labelled "unspecified composition" or "mixed fibres."

Manufacturers have been preparing for the regulations, which are already in force in most other EEC countries.

Few goods in stock in shops this morning are likely to fall foul of the law.

Trading standards authorities are likely to concentrate initially on explanation and advice rather than prosecution.

# Dearer chemicals hit plastics industry

BY RHYS DAVID, CHEMICALS CORRESPONDENT

THE PLASTICS INDUSTRY in the U.K. and Europe faces a new round of cost increases, with many of its chemical suppliers seeking higher prices for their products.

In the latest increase Monsanto, one of the major suppliers, will put up the price throughout Europe of its full range of styrene plastics, used in particular in packaging, by 10 per cent., with effect from this month. BP, a comparatively small polystyrene supplier in the U.K., is increasing its price for the product by 15 per cent.

ICI has also raised the price of its MDI and associated polyols, used in making polyurethane foams, by about 5 per cent. in Europe. A similar rise is likely in the U.K. after Price Commission approval.

Union Carbide, another major producer in Europe, announced an average 15 per cent. rise in the price of silicone surfactants used in flexible polyurethane foam production. Shell expects further rises at the end of this month or early next on various products used by the plastics industry.

The increases, say the producers, are to recover increased costs. Most companies say increases now will only partly compensate for higher costs, and that higher prices still are likely this year.

Some encouragement is derived from evidence of a slight upturn in demand late in 1975. In the U.K., sales of plastics materials were up in October and November, though this may have been due to plastics processors seeking to get in ahead of anticipated price rises.

The British Plastics Federation says that in general ing remains highly de with activity not much 60 per cent. at best. Cor are concerned about thei to finance extra stocks w upturn in demand occur

A survey of the U.K. industry by the magazin pean Plastics News es that total consumpti plastics materials fell by cent. in 1975 to 1.63m. against 2m. tonnes in 19

# Commons clash likely on Leylan rescue pla

By Richard Evans, Lobby Correspondent

THE GOVERNMENT is ex to reject the Commons Ex ture committee's attack on Ryder's rescue plan for B Leyland when it replies White paper on Wednesd

The expenditure comm trade and industry subco tee under the chairmans Mr. Pat Duffy, cast dou the assumptions of the report and expressed about the amount of mo volved in the rescue.

Mr. Duffy, Labour M Sheffield Attercliffe, said publication of his repo August 12 that the com had been left with the i sion that "Ryder and his had thought of money a feth."

Although Mr. Anthony wood Benn was Industry tary at the time of the acc by the Government of the recommendations, his suc Mr. Eric Varley, is unders give him wholehearted s in the White Paper.

## Angry exchanges

As Mr. Duffy and his col are determined to pres criticisms, there are likel angry exchanges between ters and back-benchers.

The White Paper on the motor vehicle industry wi ment on the situation industry as a whole, b concentrate attention British Leyland rescue pl lined by Lord Ryder, nov man of the National En Board.

# New hous prices wil keep risin

THE FUTURE of the h industry remains uncert it seems inevitable th house prices will conti rise because of higher co a report released to-day.

The demand for home ship among young remains strong but the for builders is to me demand at prices which afford. This will not b the National House-B Council warns in its review.

Last year's record ruptcies created great ties for the NHBC in record claims from home says the report. Unles margins increase, "would be better putti money into safe Gov. stock, instead of taki risks of building."

Housing figures for 19 "reasonably satisfactory pared with the worst fe year ago.

Private housing com last year topped 155,000 almost 10,500 or 7 p higher than the 1974 fig NHBC reports Starts 137,000, a rise of well third on the disastrou 1974 level, but more tha fewer than the 1973 fig

Referring to the Cor Land Bill, the NHBC— pendent, non-profitmakin —says that it is vit planning authorities zo more land for new hous urges the Minister to m that vendors put land for sale.

It suggests a temporar the Development Land T 80 per cent. to 60 per encourage "reluctant" owners.

## SNOW REPORT

| | Depth (cms) L | Depth (cms) U | State of Piste | W |
|---|---|---|---|---|
| Andermatt ........ | 25 | 75 | Fair | |
| Disappointing fresh snowfall | | | | |
| Arosa ........ | 70 | 90 | Fair | |
| New snow on ice base | | | | |
| Avoriaz ........ | 10 | 140 | Fair | |
| Light snowfall on hard base | | | | |
| Davos ........ | 35 | 50 | Good | |
| Bare patches on lower slopes | | | | |
| Flaine ........ | 20 | 90 | Fair | |
| Good skiing on upper slopes | | | | |
| Flims ........ | 15 | 50 | Fair | |
| Good snowfall, bad visibility | | | | |
| Igls ........ | 10 | 35 | Icy | |
| Snowing above 2,000 m. | | | | |
| Isola 2000 ........ | 90 | 120 | Good | |
| Good snow on hard base | | | | |
| Klosters ........ | 35 | 60 | Fair | |
| Wet snow, bad visibility | | | | |
| Murren ........ | 20 | 50 | Fair | |
| Light fall of wet snow | | | | |
| St Anton ........ | 5 | 100 | Fair | |
| Fair skiing condition | | | | |
| Tignes ........ | 20 | 70 | Fair | |
| Worn lower slopes | | | | |
| Verbier ........ | 10 | 60 | Fair | |
| More snow needed | | | | |

SCOTLAND

Cairngorms—Main runs: No runs. Patchy cover of wet sno slopes: No snow. Vertical runs Access roads clear. Snow le feet. Glenshee and Glencoe— Forecast: Cloudy. Occasiona Freezing level 6,000 feet. Wind force.

The Financial Times, published da Sundays and holidays. U.S. su $167.00 (air freight) $334.00 (air annum. Second class postage pai York, N.Y.

OVERSEAS NEWS

# [S]panish riot police break [u]p workers' demonstrations

BY ROGER MATTHEWS — MADRID, Jan. 11.

[THE] SPANISH Government's [...]n to label the present [...]f industrial unrest as poli[tically] motivated, and to follow [...] with the pre-dawn arrest [...]lay of at least 25 labour [...] in Madrid, has set the [...] what is expected to be a [...] week of conflict.

[...] police used tear gas and [...] charges this morning to [break] up two workers' demon[stration]s in Madrid involving [...] thousand people.

[...]ght about 3,000 marched [fo]r 20 minutes following a [footbal]l match between the two [...] teams, shouting a slogan [of t]he Portuguese revolution: "[The] people united will never [be def]eated," and: "No to the [...] ceiling." Riot police [fin]ally arrived in strength, [...] volley of smoke bombs [fo]llowed up with a baton [...]. Several people are [...]d to have been detained. [King] Juan Carlos and Queen [...] were among the specta[tors b]ut left before the demon[stratio]n got under way.

The industrial suburb of Getafe, where several important engineering companies are based, is in a virtual state of revolt, with tens of thousands of workers either locked out or on strike. Many small shopkeepers joined yesterday, closing their doors two hours early as a sign of solidarity.

At least 30,000 workers are affected by just three lockouts—those at Standard Electric, the ITT subsidiary, Chrysler and Intelsa. The companies have given no indication when they might reopen their doors.

Leaders of the underground Workers' Commission and Left-wing political groups have been active this week-end trying to spread the strikes. They are basing their arguments on the official limit on pay rises, the sharp increase in the cost of living, the aggressive "Franco style" arrests of labour leaders and more general political demands for free trade unions and democratic liberties.

One prominent labour official said to-day he was particularly hopeful of involving transport workers, the construction sector, banks, insurance, telephones and other parts of manufacturing industry.

Despite the return to work on Saturday morning of the Metro workers, the focal point of last week's disputes, there were at least four church sit-ins in Madrid yesterday and several running battles between police and workers. Militancy is mounting among postal staff, 300 of whom locked themselves into a church yesterday, and there were again limited strikes in a number of the city's banks. Telephone workers in Barcelona stopped work for a while and there are threats of more widespread strikes this week unless pay demands are met.

Inevitably more militant workers' organisations are talking of a general strike by the end of the week, and certainly the combination of economic and political factors are more ripe for this type of action than they have been for many years.

# [It]alian Socialists ease conditions

BY DOMINICK J. COYLE — ROME, Jan. 11.

[AN UN]EXPECTEDLY early end [to the] Italian political crisis is [now ju]st possible following an [importa]nt easing of the condi[tions s]et by the Socialist Party [...] for participating in [a new] Centre-Left coalition [Governm]ent, perhaps under [Sig.] Aldo Moro, the outgoing [Prime] Minister.

[It wa]s the withdrawal of the [Socialis]ts' external support in [Parliam]ent which brought down [the M]oro administration last [week,] but Sig. Francesco de [Martino], the PSI general secre[tary, ha]s now suggested that the [...] stated conditions for [particip]ating in a new govern[ment a]re negotiable.

This, it seems, applies in particular to the Socialist demand that the Communist Party must make a "contribution" to any new administration, a condition which Sig. Moro's Christian Democrats (CD) had made clear they would not accept, certainly if it meant anything even approximating a formal alliance.

Sig. Benigno Zaccagnini, the CD secretary, said after a week-end party meeting that the Christian Democrats were not prepared to involve the Communist Party, either directly or indirectly, although "positive" Communist ideas would be listened to in matters of general or particular interest.

The CD, he said, was ready for a Centre-Left coalition Government which included the Republicans (partners in the last administration) the Socialists and the Social Democrats, while the small Liberal Party has also indicated that it would be prepared to join the new Government.

President Giovanni Leone is to spend the next two days in consultations with former presidents, ex-prime ministers and the party leaders before a formal initiative is taken towards forming a new Government.

# Thatcher 'impresses' Syrians

By Louis Fares — DAMASCUS, Jan. 11.

BRITISH opposition leader Mrs. Margaret Thatcher said here to-day a final Middle East settlement should recognise the Palestinian problem, guarantee secure borders to all states and ensure withdrawal from occupied lands.

These conditions, contained in the UN Security Council's resolution 242, were the basis for peace in the Middle East, she told a Press conference before flying home at the end of an apparently highly successful four-day visit to Egypt and Syria.

Mrs. Thatcher added: "Maybe now we should have a slightly different resolution—with all hope there will be some positive step forward coming out of the Security Council debate."

Mrs. Thatcher said she had "very frank and very useful" talks with Syrian President Hafez Al-Assad and other officials during her two-day visit here. She also visited a Palestinian refugee camp and the devastated town of Kuneitra, on the Golan Heights.

Syrian Government and Baath Party officials were impressed by what they described as "the talent of Mrs. Thatcher and her understanding of fundamental and complicated issues such as the Middle East conflict." A senior party official said he was "very pleased" as to the results of the visits. "It is not necessary that we always agree on everything," he added.

Although nobody here expected Mrs. Thatcher to recognise the PLO or to have talks with PLO leaders during her Syrian trip, Syrians were rather pleased to hear she was not against "introducing some additions" to security council resolutions 242 and 338 on the Middle East.

The Syrians clearly hope that, should Mrs. Thatcher make it to the Premiership, she would "adopt a more objective attitude" towards the Middle East conflict. The present British Premier, Mr. Wilson, is referred to pointedly as one "of Israel's best friends."

## THE FIGHTING IN LEBANON

# Army confronts guerillas

BEIRUT, Jan. 11.

THE LEBANESE Army command gave Palestinian guerillas a 12-hour deadline to relase an Army tank convoy captured during fierce fighting in Beirut to-day or face the threat of military action to get the captive tanks and crews back by force.

Police said more than 50 people were killed and 100 wounded over the past 24 hours of fierce fighting that raged across the capital as rival Christian, Moslem and Palestinian forces battled with rockets, mortars and machine-guns from building to building in the burning streets.

The most potentially explosive incident was that involving a Palestinian guerilla attack on an Army convoy attempting to transport supplies of food through to the Tal al-Zaatar and Jisr al-Pasha refugee camps, besieged and cut off from supplies for eight days by Christian forces encircling them.

Witnesses said about 500 guerillas from the Sabra camp in southern Beirut surrounded the convoy of 10 tanks and personnel carriers, opening fire and wounding three soldiers, including the convoy's commander. The remaining 17 soldiers surrendered and were taken back to the camp as prisoners.

The military spokesman said the attack on the convoy was the result of a dispute that erupted when the guerillas insisted on transporting food to the Tal al-Zaatar and Jisr al-Pasha camps in their own vehicles, with the Army escort accompanying them for protection.

Another Army convoy trying to get food through to the camps by another route came under fire from Christians and was forced to retreat after a clash in which one soldier was killed and six wounded, the military spokesman said.
UPI

Ihsan Hijazi adds: Two-thirds of the country are now enveloped in the factional fighting which has gained in intensity in the capital and the suburbs, spreading east, south and north. At the same time the danger of a head-on confrontation between the Army and the Palestinians loomed after the Army captured 13 of the Leftist and Palestinian fighters.

Leftist Moslem forces and Christian Phalangist militiamen moved back nto the sea-front hotels area which had already been devastated by two rounds of fighting in October and in early December.

The Phalangists are back in the Holiday Inn, while a combined force of Leftists and Moslems have re-occupied the Phoenicia Hotel below. They have also occupied the Murr Tower, an unfinished sky-scraper on the Rue Kantari further up the hill, from where they shelled the Holiday Inn.

# Palestinians ready for UN debate

BY OUR OWN CORRESPONDENT — UNITED NATIONS, Jan. 11.

THE comprehensive Security Council review of the Middle East question which was Syria's price for agreeing, in November, to an extension of the mandate of the UN force in Golan begins to-morrow, in the presence of Palestinian representatives but with Israel boycotting the meetings. Mr. Farouk Kaddoumi, the Palestine Liberation Organisation's foreign affairs spokesman, is leading its delegation.

The Israeli decision reflects also Israel's increasing scorn for the UN (which Gen. Herzog, the chief delegate, has called a world centre of anti-Semitism) and its preference for a reduced role for the world body in the Middle East peace-making process.

In a sense, Mr. Daniel Moynihan, the chief American delegate, who has become a fervent defender of Israel against its UN attackers, will be holding Israel's proxy. But he must also preserve sufficient objectivity so that Arab confidence in Dr. Henry Kissinger's step-by-step approach to a Middle East solution may not be reduced or destroyed.

It is assumed that Mr. Moynihan will veto an extreme resolution gravely offensive to Israel. But it appears doubtful whether the U.S. has given a formal commitment to vote against any text to which Israel might object.

What resolution may finally be brought in is still a matter of speculation here. Libya, the only Arab member of the 15-nation security council, may introduce a text the effect of which would be to rewrite resolution 242, which called for a negotiated settlement on the basis of Israeli withdrawal from Arab territory occupied in the six-day war, an end to Arab belligerency, and the establishment of secure and recognised boundaries behind which all the states of the region might live in peace.

That resolution, largely the result of the persistent efforts of Lord Caradon, British representative in the Council when it was adopted in November, 1967, referred to the Palestinians only as "refugees." But as Dr. Kurt Waldheim, the UN Secretary-General, noted at this Press conference here on Friday, "there is now a growing tendency to recognise the political status of the Palestinians." And that clearly is the central issue.

■ Prime Minister Yitzhak Rabin is considering inviting former Foreign Minister Abba Eban to join his Cabinet, probably as Deputy Prime Minister, Government and ruling Labour Party officials said to-day.
Reuter

# Triumvirate takes over in Ecuador

GENERAL Guillermo Rodriguez Lara's resignation from the Ecuadorian Presidency was finally made public early yesterday morning after several days of uncertainty and confusion. The ex-President issued a statement saying that he had resigned five days ago, and denying that he had been forced out by fellow members of the armed forces, our Quito correspondent reports.

A supreme governing council, with Vice-Admiral Alfredo Poveda Burbano as President and the commanders of the army and air force, General Guillermo Duran Arcentales and General Luis Leoro Franco as members, has taken power and declared a state of siege in the country.

## Iceland invites Nato secretary

Iceland has asked Nato Secretary-General Joseph Luns to go to Reykjavik for discussions on the dispute between Iceland and Britain over fishing rights, informed diplomatic sources said, Reuter reports from Brussels.

In Reykjavik Icelandic fishermen were reported by police to be gathering around a big radar station of the American-run Nato air base at Keflavik, in the south-west of the island.

## Plyushch in Paris

Soviet dissident Leonid Plyushch arrived here tonight after less than 48 hours in the West, still apparently under the effects of drugs given him during his 2½ years' detention in a Russian mental hospital. His wife Tatyana thanked Western public opinion for the part it played in obtaining her husband's release but said: "He is still under the effects of some drugs and that is why he cannot talk to you," Reuter reports.

## Concorde attacked

The Head of the U.S. professional air traffic controllers' organisation levelled a serious new attack on the Concorde supersonic transport, UPI reported from Washington, charging that the Anglo-French aircraft "can only raise threats to the safety of American airways."

# [Sm]ith concedes [on] Rhodesian [con]stitution

[By Ton]y Hawkins — SALISBURY, Jan. 11.

[RHODE]SIAN constitutional talks [between] the Smith Government [and the] Nkomo African National [Council] are due to resume in [a wee]k with observers here [expectin]g the discussions to [get t]o the central issue of [fran]chise.

[Mr. N]komo has accepted that [any agr]eement with the Smith [Governm]ent must be based on a [...]ive franchise and three [...] seconded statisticians have [the tas]k of working out how [many v]oters would be enfran[chised] if different educational [and in]come qualifications were [...].

[It is] reported here that in the [talks s]o far the Smith nego[tiators] made one important con[cession] —namely agreeing to the [1961 co]nstitution as the working [docume]nt for the talks. This [is a m]ean concession for Mr. [Smith] who, after all, declared [UDI to] get rid of that particular [constitu]tion.

# [Fed admits more banks hold New York debts]

# Fed admits more banks hold New York debts

BY JAY PALMER — NEW YORK, Jan. 11.

THE U.S. Federal Reserve Board in a new report made available this week-end has sharply increased its own earlier estimates of the outstanding amounts of New York City and State debt obligations held by American banks across the country.

The report, which contradicts the earlier more modest Fed findings made and released at the height of the city's fiscal crisis last autumn, makes it eminently clear that the banking system's vulnerability to a city failure is far greater than ever originally suspected.

The new Fed study shows that 954 banks spread over 33 states now hold about $6.5bn. in various types of New York City and State obligations. These holdings were estimated to account for over 50 per cent. of the total capital of 234 banks and between 20 and 50 per cent. of the capital of another 718 banks. Analysed by states the most vulnerable, aside from New York, were banks in Florida, Illinois, Missouri and Alabama.

By contrast, the Fed's earlier report said that only 546 banks in 26 states held $4.2bn. of such obligations.

Although not directly connected with the Fed's revised study, the Washington Post reported this morning that Federal examiners of the Comptroller of Currencies office had placed both the First National City Bank of New York and the Chase Manhattan Bank on the agency's "problem" bank list.

The Comptroller's investigations, made earlier in 1974 during widespread worries about the banking sector's problem loans to the property sector, placed both banks in this technical category because their "classified assets exceeded 80 per cent. of their gross capital funds." Classified assets were described as loans of "sub-standard quality which might not be recovered."

# [Ira]nian naval [chi]efs demoted

[By Ro]bert Graham — TEHRAN, Jan. 11.

[THE C]ommander-in-Chief of the [Iranian] Navy and his deputy [have b]oth been demoted on the [Shah's] orders, in a surprise [announ]cement.

[No r]eason for the demotion [has bee]n given.

[Howe]ver, the move is under[stood t]o be connected with a [wide-ra]nging investigation into [the co]nduct of senior naval [officers]. Informed sources said [the nat]ure of the investigation [was not] political.

[The] Navy chief, Rear-[Admira]l Ramzi Abbas Ata'i, has [been d]emoted to the rank of [comma]nder, and so has his [deputy], Rear-Admiral Hassan [...].

[There] are also unconfirmed [reports] that the two men have [been a]rrested, along with five [other s]enior officers. Charges [are ex]pected shortly to be [brough]t against them.

[The d]emoted Navy chief was [regarde]d as exceptionally able [and one] of the key figures in the [Iranian] armed forces. He has [been re]placed by Rear-Admiral [...]ddin Mir-Habibollahi [until la]st week commander of [the] fleet in the Gulf and Oman.

# Giscard plans reshuffle

BY RUPERT CORNWELL — PARIS, Jan. 11.

PRESIDENT Giscard d'Estaing was today putting the finishing touches to what promises to be a limited government reshuffle, details of which will be announced late tomorrow afternoon.

It seems almost certain that no major Ministeries will be affected. In a brief TV statement to-day the President said M. Jacques Chirac would remain as Prime Minister, and that most members of the Government would retain their present portfolios.

With his description of the changes as a "technical re-adjustment" M. Giscard d'Estaing also appeared to confirm that the balance between the three parties in the ruling coalition—Gaullists, Independent Republicans and Centrists—would not be altered, and that no Opposition figures would join his administration.

The conventional wisdom is that mainly Secretary of State posts will be involved, with the odd Minister, possibly Justice Minister M. Jean Lecanuet, or the Health Minister, Mme Simone Veil, thrown in for good measure.

Those tipped to join the Government include the former Renault chairman, M. Pierre Dreyfus.

# Portuguese farmers protest

BY PAUL ELLMAN — BRAGA, Jan. 11.

THOUSANDS of farmers gathered in this Northern city to-day to reject the Portuguese Government's latest bid to stem their anger over agrarian reform.

The crowd, mostly owners of small- and medium-sized property, voted overwhelmingly against a compromise offered last Friday by the Minister of Agriculture, Dr. Lopes Cardoso.

Instead, they gave the Government three weeks in which to accept their own demands which include the immediate suspension of laws relating to land expropriations.

A member of the organising committee of the National Confederation of Farmers told the Financial Times that failure by the Government to meet their demands might lead to a food blockade of Lisbon "and not just that." Last week Dr. Lopes Cardoso offered a set of modifications to the agrarian reform programme which would have stopped it at the river Tatuf and would have exempted property of less than 75 acres.

# [C]hinese pay respects to Chou

BY A SPECIAL CORRESPONDENT — PEKING, Jan. 11.

[THE B]ODY of Premier Chou [En-lai l]ay in state over the week-[end at] Peking Hospital, the city's [...] where the Premier died [last Th]ursday.

[In bi]ttingly cold weather [thousand]s of Chinese citizens [...] in small groups, even [more so]berly dressed than usual, [paid] their last respects to the [Pr]emier. They were said [to be sp]ecially selected represen[tatives o]f the cadres and masses.

[Outwa]rdly there were no signs [that t]his was an historic, [momen]tous occasion. There was [a mark]ed absence of grandeur, [of cere]mony. Only the hospital [flag fly]ing at half mast, and the [shufflin]g feet of the mourners, [indicate]d that China's first and [only P]remier was dead.

The Chinese have declared a national week of mourning, culminating in a memorial service to be held next Thursday. On that day the national flag will be flown at half mast throughout the country and all recreational activities suspended for the day.

The form the memorial ceremony or funeral will take is still not known, though it is certain to be equally low key. The Chinese have already announced that no foreign Heads of State or "friendly personages" will be invited to take part in the national mourning, while expressing their "deep gratitude" to those countries which asked to come.

Rumours have circulated in Peking that the Premier's enemies would not entertain the idea of a special funeral for him. Observers have dismissed the rumours as "malicious," given the international standing of the dead statesman. Certainly the obituary notice issued by the Central Committee of the Communist Party was an exceptionally strong one, referring to the Premier's death as a "gigantic loss."

It is likely that the Premier himself expressed a wish before his death that he did not want a large, costly and extravagant State funeral. The enormous problems of protocol involved in inviting the world to Peking must also have swayed the Chinese leaders.
*Sydney Morning Herald*

## The Office World

# The urgent search for better ways to work

BY ROY LEVINE

"WHITE COLLAR employers are living on borrowed time—they can expect strikes in the office unless they start to act now." This warning by Mr. Keith Robertson, a consultant attached to one of the Personnel Management Divisions of the Civil Service Department (CSD), states in a dramatic way the challenge facing managers in the white collar sector.

He is not alone in his prognosis—over the past two years governments in more and more developed countries have come to realise that something drastic needs to be done to improve the quality of working life in the growing white collar sector.

"The tradition of office staff being a responsible worker, having the interests of the customer at heart, is beginning to wear very thin. To-day the white collar worker enjoys neither the pay nor the status nor the perks of the factory worker," says Mr. Robertson.

Even more important, his job has lost meaning. As Mr. Frederick Herzberg, an American authority on job enrichment, remarks*, "One of the primary causes of current worker dissatisfaction is that, in the name of efficiency, most jobs have been robbed of meaning." It is this more than anything else that threatens to disrupt the increasingly automated office.

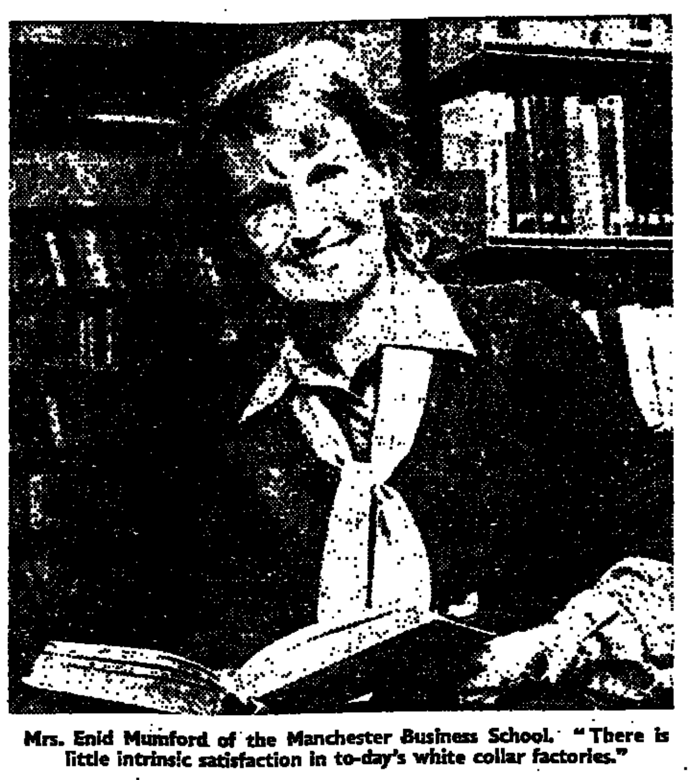
Enlightened employers accept to-day that pay alone is not an adequate long term motivator—a fact which has deep implications during times of successive national incomes policies.

The symptoms of an alienated workforce are increasing in almost all countries. Most offices experience high turnover rates and absenteeism, low productivity, increasing trades union membership and even strikes.

An analogy between what could happen in Britain's offices and what has already happened at British Leyland is made by Mrs. Enid Mumford, director of the Computer and Work Design Research Unit at the Manchester Business School. "Bored workers created their own interest by fighting the management.

"There is little intrinsic satisfaction in to-day's white collar factories that provide small, boring jobs unrelated to the purpose of the organisation. This is especially true of school-leavers. They are asked to do filing, or clerical jobs or information recording which stifles their imagination and destroys their will to work.

Meagre office work like mailing accounts can be soul destroying.



Mrs. Enid Mumford of the Manchester Business School. "There is little intrinsic satisfaction in to-day's white collar factories."

## Worthwhile

"If these jobs have to be done, it is better if they are done by old people or part-timers—then young people could be given jobs with some responsibility that would be worthwhile."

Like many other industrial sociologists examining the contemporary working environment, she insists that work patterns need to change to meet the higher expectations of to-day's workers. It is a management myth, she argues, that some people do not want to be liberated. "That may have been true a few years ago. But expectations have changed, people expect more satisfaction from their work."

The research she is conducting has led her to self-management groups—allowing workers to decide how to restructure their daily lives to make the work more meaningful, and to work in small groups where there is a great deal of job sharing. "It is possible to reorganise work in such a way that the dual objectives of increased job satisfaction and increased efficiency are achieved at one and the same time.

"I think we shall move more and more towards allowing the clerk to play a major role in diagnosing his own needs and designing his own solutions. In effect we shall see the democratisation of work design."

Mrs. Mumford suggests that the group should set its own performance targets as well as monitoring them. Management can give the group responsibility for identifying and correcting its own mistakes, give it a budget and allow it to buy its own materials and even organise the selling of its own products to customers. "The self-managing group is then operating in a manner similar to that of a small independent business within the firm."

Management's responsibilities then becomes one of long-term planning and boundary management—ensuring that the work of all the self-managing groups is co-ordinated. Groups like this have started to appear in the industrial sector, especially in Scandinavia; Volvo, for one, is a case study that has been highly publicised as breaking down the production line into integrated work units.

But it is the white collar sector that is lagging behind. One reason is the lack of attention by trades unions. "In Scandinavia, trades unions bargain over the quality of working life as part of their normal routines. That has not happened here to the same extent," says Mrs. Mumford. "For one thing, ideas like self-management groups destroy demarcation lines."

Of course, self-management groups are not the only way to make work more interesting in the office. That is one of only four ways defined by Mr. Herzberg. The first, and the one he most favours, is orthodox job enrichment — simply putting motivator factors into individual jobs. These might include direct feedback to employees, giving employees a "customer" to serve (either inside or outside the organisation), introducing an element of new learning and creating personal accountibility.

The third and fourth types are participative management (where the job is enriched through worker participation) and industrial democracy—having workers represented on all the decision making bodies.

Irrespective of the style that management chooses (or a combination of them) there is one universal point—that the individual worker should be able to examine his own job and decide for himself how it can be restructured. "He knows his own problems much better than any outside consultant," says Mrs. Mumford.

It is this approach that is being tested at the CSD under the direction of Keith Robertson who has set up a special Job Satisfaction team of eight people. "We have learned from our experiments over the past few years that change is possible. But solutions must be tailor made—there is no single panacea." In one government department included in the test projects there had been no change in clerical procedures for some 40 years.

He agrees that the large clerical factories spawned in the eager search for economies of scale during the past two decades may now be obsolescent. For instance, centralised computer operations (that tend to divide clerks from their customers) are not the only form of organisation now that distributed computer power has become available.

"What we are trying to do," says Keith Robertson, "is to nurture and protect the dignity of people's jobs from the effects of bureaucratisation."

One example of this is the experiment at some of the regional offices in the Department of Health and Social Security. In selected offices, staff are being invited to reorganise the service they give to the public in whatever way they want. "We have come to realise that staff may become the prime movers in bringing about change," says Mr. Robertson.

It is too early to gauge whether the CSD experiments have been successful. If, in a few years' time, they are seen as being productive both in terms of improved efficiency and better job satisfaction, it is conceivable that the government (the country's largest employer of white collar staff) will bring about a dramatic change in the way people work.

Another government initiative is the Word Research Unit (WRU) set up by the Department of the Environment in December 1974. This was formed by the Tripartite Steering Group on Job Satisfaction consisting of the TUC, CBI and Government some 18 months before—a heritage of the previous government.

## Case studies

The work of the WRU is to spread the techniques of job satisfaction by special promotions, booklets and seminars. With a growing team of a dozen people and a budget of about £½m., it is also conducting research into job enrichment to compile case studies in the same way that similar bodies in Scandinavia or France or Germany have been doing over similar periods, also sponsored by their governments.

Mr. Gilbert Jessup, director of the WRU, says that over 600 companies have approached the unit for information. "Of that, we are actively talking to about 150 companies and have started projects at about 30 companies.

"There is enormous scope in the white collar sector," says Gilbert Jessup. "Just consider the low levels of productivity and service—employees are frustrated at being part of an ineffective organisation and would dearly love to improve their efforts and effectiveness, given the chance."

While the main initiatives have come from the government, the private sector has at last started to show interest. Most companies are reluctant to talk publicly about their efforts in the absence of firm results over short periods. At one major international bank in the City, the manager of the computer processing division of its money market oper[ations] decided to launch a progr[amme] to improve job satisf[action] because so many of his [staff] were leaving to join [other] banks (even though the[y paid] less money) because the [oppor]tunity for enjoying [work] through greater job variet[y was] bigger.

A committee was forme[d of] all levels of staff to pla[n how] the work should be redi[stribu]ted. The solution they c[ame up with] was simple: instead of sp[litt]ing the work so that one [group] did all the checking or [coding] or coding or queries, e[ach] work was reorganised s[o that] the staff of 70 was spl[it into] small groups, each group [did] all the work but only on [one] currency.

Naturally the staff ha[d to be] trained. Even before th[at they] were taught the theory [of job] satisfaction by an outsi[de con]sultant. The impact of t[he new] routines is clearly disc[ernible] with a creative hub not n[ormally] associated with pro[cessing] departments. Natural[ly] management is taking i[ts time] about assessing result[s, but] agree that if proved suc[cessful] the principle of job reo[rganisa]tion could be applied t[o] other aspects of the business.

It is early days yet [for the] new movement of job re[design]. But at least a start ha[s been] made. The next two ye[ars will] be crucial—if office man[agers] rise to the challenge th[ey may] avoid the nasty altern[atives of] yet higher labour turno[ver and] more aggressive sympt[oms of] job dislike including [white] collar strikes.

Already the office eq[uipment] manufacturers have tak[en note] of this new devel[opment]. Although they have [not yet] arrived at any satisfacto[ry solu]tions, they are at least [working] on new ways for peopl[e to use] their machines so that t[he work] is done more efficiently [and] becomes more meaning[ful].

* See Harvard Busi[ness Re]view, September-Octobe[r]



EXECUTIVE HEALTH

# How to relax efficiently

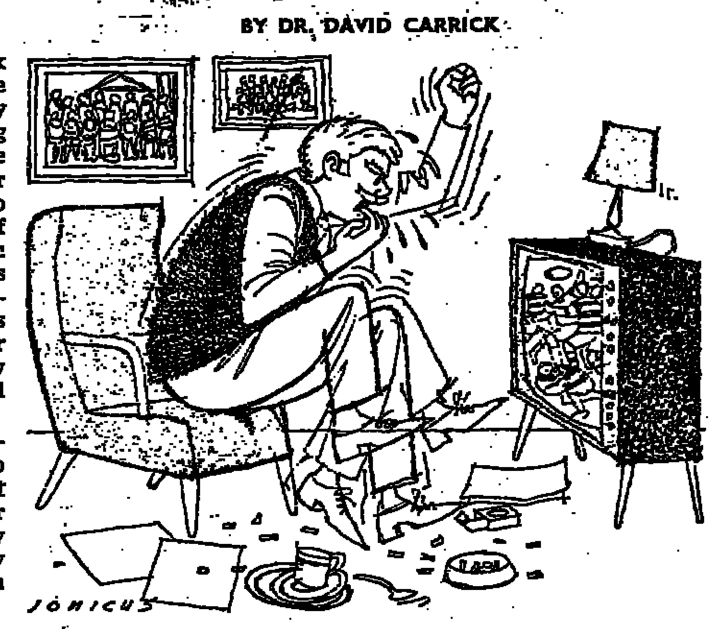
BY DR. DAVID CARRICK

"YOU MUST try to relax more!" How often have we heard from medical and lay friends alike this aggravating platitude which is a shade more banal than that amiable order made to a busy housewife to "keep her hands out of water"? Unfortunately, in many cases, both injunctions are well meant and of importance. Where they fall down is in their lack of realism for they fail to explain just how the one can be achieved and the other avoided.

Even interpreting the meaning of the word "relax" is no easy task. Strictly speaking, it means "becoming loose or slack," etc., and indubitably some people off duty merely loll about more intensely than when at work.

In the office-world, however, a majority, whether they be mere pen-pushers or those on a higher plane, tend to put enormous effort into their "leisure" time, indulging in such pursuits as rugger, sailing, weight-lifting, pot-holing, Kung Fu and many other punishing pastimes.

Believing thoroughly in the old aphorism that "a change is as good as a rest," I endorse the notion because, even though I have to treat the resultant sprains, bruises, pulled muscles, cuts and even fractures on Monday mornings, I am convinced that an enormous amount of therapeutic benefit is obtained from indulging in some sort of hobby; and if it also helps to broaden the mind, so much the better.




"... put enormous effort in their 'leisure' time ..."

For a similar reason I believe that students—medical ones in particular—should seek vacation jobs that are poles apart from their studied subjects. Not only is the change valuable mentally (and, perhaps, physically) but this period is the last time in a stern and restricted career that one has the chance to meet people who are very different from their fellow students or tutors.

As a sometime milkman, chauffeur, lorry-driver, waiter, commercial traveller and whisky-bottler (a very good job that!), I was privileged to meet at least some of the sorts of people I would have to treat one day—a useful contrast to the animated machines so common in the world of science and in some offices.

Even now I have pecular pastimes, one being an obsession with ancient houses. This involves considerable physical effort crawling through nooks and crannies and in d[usty] roofs and, later, a mo[re] intellectual effort in p[reparing] written reports. Diagno[sing] houses is more diffic[ult than] medicine as walls cann[ot talk] but I find it a relax[ing and] peculiarly innocent pu[rsuit].

Annual holidays sh[ould be] used for relaxation, [but they] are of little value if [spent at] home where a wife (wh[o must] keep on working) tend[s to dis]cover so many "little [jobs" about] the house and garden [that the] return to work may [be] relaxing.

No, holidays *must* [be away] from home and there [must be] interests for all the fa[mily, not] for just one member, o[r they] will never fail to regre[t exces]sive selfishness.

To return to thos[e] blessed periods awa[y from] routine work, it is desir[able that] they should be utilis[ed in a] manner most pleasing [to the] individual, even if this [means] manual or intellectual [effort as] strenuous as that perfo[rmed at] work during the week, as it is absolutely differ[ent from] the usual routine. N[ot only] does this invigorate bu[t it may] provide the basis for a [new and] possibly valuable life du[ring the] years of retirement.

If those in managem[ent can] help and encourage th[ose who] work under them to u[se their] leisure hours in this [way,] they need make no bett[er reso]lutions for a New Year.

# Businessman's Diary

## U.K. TRADE FAIRS AND EXHIBITIONS

| Date | Title | Venue |
|---|---|---|
| ...ay | Indian Casting Display (cl. Jan. 30) | 28-30, Cork Street, W.1 |
| ...ent | Harrogate International Toy Fair (cl. Jan. 15) | Ex. Hall & Royal Htl., H'gate |
| ...ent | Ideal Home Exhibition (cl. Jan. 17) | Wool Exchange, Bradford |
| ...ent | Intnl. Racing and Motor-cycle Show (cl. Jan. 17) | Royal Horticultural Halls |
| ...ent | Holiday '76 Show (cl. Jan. 18) | Bingley Hall, Birmingham |
| ...ent | West Country Gifts Fair (cl. Jan. 15) | Palace Hotel, Torquay |
| 14—21 | International Hotel and Catering Exhibition | Olympia |
| 18—21 | International Slipper Fair | Blackpool |
| 19—24 | Ulster Motor Show | Belfast |
| 20—23 | Stationery Industry Exhibition | Grosvenor House, W.1 |
| 25—28 | Leathergoods, Luggage and Handbag Fair | Royal Horticultural Halls |
| 27—29 | Amusement Trades Exhibition | Alexandra Palace |
| 31—Feb. 4 | British International Toy Fair | Metropole Centre, Brighton |
| 1—5 | International Spring Fair | Nat. Exhib. Centre, B'ham |
| 1—6 | Internl. Hardware and Housewares Trades Fair | Olympia |
| 8—15 | International Furniture Show | Earls Court |
| 13—14 | Cruft's Dog Show | Olympia |

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

| | | |
|---|---|---|
| ...ent | Italian Leathergoods Exhibition (cl. Jan. 13) | Milan |
| ...ent | National Sports and Boat Show (cl. Jan. 18) | San Francisco |
| 14—18 | Cellar Machinery and Equipment Exhibition | Zaragoza, Spain |
| 14—18 | Home Furnishing Textile Fair | Frankfurt |
| 15—19 | National Furniture Exhibition | Paris |
| 15—20 | International Lighting Exhibition | Paris |
| 15—26 | International Pleasure Yachting Exhibition | Paris |
| 16—25 | Do-It-Yourself Exhibition | Stockholm |
| 16—25 | World Book Fair | New Delhi |
| 19—24 | International Farming Machinery Exhibition | Amsterdam |
| 22—29 | International Building Exhibition | Munich |
| 23—29 | Intnl. Record and Music Publishing Market | Cannes |
| 24—Feb. 1 | International Commercial Motor Show | Geneva |
| 30—Feb. 1 | British Luxury Fair | Dubai |
| 31—Feb. 15 | International Sports Equipment Fair | Innsbruck |
| 8—10 | National Shoe Fair | New York |
| 9—13 | Tel Aviv Fashion Week | Tel Aviv Hilton |

## BUSINESS AND MANAGEMENT CONFERENCES

| | | |
|---|---|---|
| 15 | Henley Centre: Planning Agreements | Carlton Tower Hotel, S.W.1 |
| 15 | WTI: Trading Opportunities with COMECON | World Trade Centre, E.1 |
| 15—16 | IPM: The Secretary in Personnel Management | Whites Hotel, W.2 |
| 19—23 | P-E Cons. Grp.: Maintenance Management | Training Centre, Egham |
| 20—22 | Urwick: Finance Man. in Construction Companies | Slough |
| 21 | Bentley Associates: Participation-Reward | Piccadilly Hotel, W.1 |
| 21 | BIM: Selection Interviewing—Theory and Practice | Management House, W.C.2 |
| 21 | Imp. College of Science: Productivity Analysis | Imperial College, S.W.7 |
| 21 | Wales Int. Man. Centre: Current Employment Law | Plymouth |
| 21—22 | Inst. of Fuel: Energy—Brake or Break | Cafe Royal, W.1 |
| 21—23 | Brunel Univ.: Recent Developments in Economics | Uxbridge |
| 23 | Man. Studies Centre: Europe—The New Home Mkt. | Royal Garden Hotel, W.8 |
| 23 | Poly. Central London: Industrial Participation | 35, Marylebone Road, N.W.1 |
| —30 | BACIE: Interpersonal Skills | Sackville Hotel, Hove |
| 27 | ICMA: Inflation Accounting after "Sandilands" | Piccadilly Hotel, W.1 |
| 27 | H. B. Maynard: Production and Worker Motivation | Royal Lancaster Hotel, W.2 |
| 27 | Inst. of Purchasing: Packaging Revolution | Grosvenor Hotel, Chester |
| —29 | Financial Times and Investors Chronicle: Counter Inflation Policy | Royal Lancaster Hotel, W.2 |
| —5 | IPC Bus. Press: What Price Mechanisation? | Royal Bath Htl., Bournemouth |
| —5 | Bradford Univ.: Improving Staff Performance | Heaton Mount, Bradford |
| —6 | Direct Mail/Marketing: International Conference | Meridien Hotel, Paris |
| —5 | Financial Times and Investors Chronicle: Euromarkets in 1976 | Royal Lancaster Hotel, W.2 |
| —10 | Financial Times: Pensions in 1976 | Royal Lancaster Hotel, W.2 |
| —12 | Assoc. of Cert. Acc.: Internal Auditing | Clifton-Ford Hotel, W.1 |
| [illegible] | Economic Models: UK Financial Forecasts | 30, Old Queen Street, S.W.1 |
| 16—20 | Ind. Assessment and Research: Personnel Testing | 57, Marylebone High St., W.1 |

## ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

[illegible]

CINEMAS—(Cont.)

[illegible]

CLUBS

[illegible]

ART GALLERIES

[illegible]

CINEMAS ARE CONTINUED ON NEXT COLUMN

PERSONAL

[illegible]

APPOINTMENTS

# J. Spooner to join Board of Bentalls

Mr. James Spooner has been appointed a director of BENTALLS from February 2. Mr. Spooner is chairman of NAAFI and of Spirella Group. He is also deputy chairman of the Hogg Robinson Group and of the National Mutual Life Assurance Society.

★

Mr. Akira Shimizu, general manager of the London office of NOMURA EUROPE N.V., is returning to Japan and becomes a manager of the international research and advisory department. Mr. Sumoi Fukabori, managing director of Nomura Europe N.V., will become the new general manager of the London office.

★

Mr. Kenneth J. Sharp, whose appointment as head of the Government accountancy service was announced in August last year, has take up his additional role as accountancy adviser to the Department of Industry.

★

Mr. G. J. Suckling, group managing director of EAST SUSSEX ENGINEERING, has been appointed chairman and chief executive following the death of Mr. E. E. J. Burchell.

★

Mr. Mike Dibb has been appointed director and general manager of RENTCO NATIONWIDE. Mr. John Midlane becomes operations director and Mr. Geoffrey Markham has been appointed financial director.

★

Mr. W. F. Shutler has been appointed managing director of EMCO WHEATON U.K.

★

Mr. Craig Thomson has been appointed marketing director of JENKS BROTHERS.

★

Mr. J. Dave Griffiths has been appointed deputy managing director of R. J. P. NICKLIN and Mr. Jeffrey Bentley joins the Board as a director.

★

Mr. W. S. Chapman and Mr. R. Saxton-Howes have been appointed to the Board of the TAYLOR NELSON GROUP. Mr. J. M. Bickerdike has been appointed a director of TAYLOR NELSON AND ASSOCIATES, the principal subsidiary of the Group.

★

Mr. J. H. Murray has resigned as a director of BALL AND COLLINS (OIL AND GAS) on taking up a senior appointment with the NATIONAL ENTERPRISE BOARD.

★

Mr. Simon L. D. Few has been appointed managing director of J. H. MINET SOUTH AMERICA AREA DIVISION. Mr. Paul Cotterill has become a director of J. H. Minet OIL, GAS AND PETROCHEMICAL DIVISION and Mr. Richard J. Green has been appointed a director of the MIDDLE EAST AREA DIVISION.

★

Mr. R. Jameson has been appointed sales director of T. AND R. GRAHAM, members of the British Sidac Group's printing and converting division. Mr. Jameson was previously responsible for Sidac's sales in south-east England.

★

Mr. Herbert Windsor has been appointed assistant general manager of the London branch of the DETROIT BANK AND TRUST COMPANY.

★

EDGAR ALLEN, BALFOUR GROUP has made the following appointments: Alloy Steel Engineering: Mr. D. F. Tiplady is appointed executive chairman. Charles Snape and Co.: Mr. Tiplady becomes non-executive chairman. Edgar Allen Steels: Mr. G. W. Wise has become executive chairman; Mr. H. Steenbergen is appointed director of administration. Edgar Allen Tools: Dr. J. D. Bailey becomes chairman; Mr. J. D. Lind, marketing director; Mr. M. Hawley, finance director; and Mr. J. W. N. Wilson, production director—hand tools. George Turton Platts and Co.: Mr. J. L. Hewitt is appointed executive chairman; Mr. J. K. Warburton is made a non-executive director.

★

Mr. C. M. Keville has been appointed a salaried director of GREIG FESTER and of Greig Fester (London), insurance brokers. Mr. P. T. Kerby has been appointed an associate director of both companies.

★

Mr. J. G. D. Chapple has been appointed chairman of LEISURE AND GENERAL HOLDINGS in succession to Mr. T. L. Porter, who has retired from that post after 37 years in office but remains a non-executive director.

★

Mr. H. A. McGhee has joined the Board of HACKER RADIO as chairman. This follows the sale of a majority shareholding in the company to Mr. McGhee by Mr. R. H. Hacker and Mr. A. G. Hacker, who remain on the Board. Mr. John Hacker and Mr. Cliff Haydon have been appointed directors.

★

Mr. Ben Winter-Goodwin, who has been managing director of the BOOK CENTRE since 1968, has been made marketing director. Mr. Giles Pitman has become acting managing director pending the appointment of a permanent managing director. Mr. Anthony del Tufo is now deputy managing director. Mr. Don Cook, who has been administration director of Thomas Nelson and Sons, has been appointed general manager of PBDS, the Book Centre delivery service.

★

Mr. Kirk R. Hagan, vice president of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, has been appointed general manager of the bank's London City branch. He succeeds Mr. Robert L. Stahl, vice president, who has been assigned to the bank's European regional headquarters in London where he will administer the business development and credit activities of the bank's European units. Mr. Stahl is a director of Continental Illinois Limited.

★

Mr. John Glasgow, managing director of Baelz Equipment has retired and has been succeeded by Mr. R. A. Joseph, who will combine that post with his present managing directorship of Hydraulics and Pneumatics. Mr. J. S. Allman is now a director and general manager. Mr. M. C. Hastings has been appointed a director and general manager of Hydraulics and Pneumatics. The parent concern is TURNER MANUFACTURING.

★

Mr. John S. Robson has been appointed to the Board of S. W. KEENE.

★

Mr. David Williams has joined NASHUA PHOTO PRODUCTS as marketing director. Mr. Williams was previously marketing director at Tudor Processing.

★

Mr. Harry Bickerton, chairman of BATCHELOR ROBINSON AND CO., has retired from that post but will remain a director. Mr. Tony Marris, managing director and chief executive of the group, has been appointed chairman and managing director.

★

Miss Rosemary McRobert has been appointed to the POLICYHOLDERS PROTECTION BOARD as alternate member for Mr. Max Wood (policyholder representative on the Board). Miss McRobert, is director of the Retail Trading Standards Association and a Council member of the Consumers' Association.

★

Mr. Brian Spong and Mr. Ron Trenter have been appointed directors of HOME CHARM RETAIL.

# Tanker owners prepare for critical year

BY JOHN WYLES, SHIPPING CORRESPONDENT

A BRIEF and only marginal increase in oil tanker rates over the Christmas period showed signs of flagging at the week-end as tanker owners prepared for a critical year in which many face severe financial crisis.

The prospect facing many owners was highlighted by efforts which will continue this week to mount an international banking operation to rescue the Greek Colocotronis shipping empire from a liquidity crisis brought about by its ownership of two new Ultra-Large Crude Carriers, which cannot find profitable employment.

Colocotronis' crisis may heighten interest in moves in the tanker industry to find ways to ease the chronic surplus of vessels.

A working party set up last month by an international meeting of tanker owners, shipbuilders, bankers and oil companies met in London last week for preliminary discussions on possible remedies.

Latest figures from H. P. Drewry (Shipping Consultants) put the surplus at just under 100m. deadweight tons, with ships totalling 47.4m. dwt actually lying idle. At the same time, cancellations of new vessels whose construction would only deepen the crisis now now stands at 47.9m. dwt.

Tankers operating without long-term charters are facing a year in which chartering rates will continue at an uneconomic level, barring a jump in the world's demand for oil.

Others received unexpected Christmas cheer when just before the holiday rates from the Arabian Gulf to the U.K. and the Continent rose slightly to yield a monthly average of Worldscale 19.4 compared with November's 18.8.

Most brokers would be surprised if this slight upturn continued particularly in view of the big drop in rates in the Caribbean, where last week charterers were able to depress levels by 20 per cent., according to Lambert Brothers, the London shipbrokers.

LABOUR NEWS

# Vickers strike called over pension scheme

BY CHRISTIAN TYLER, LABOUR STAFF

WHITE-COLLAR unions have called a one-day strike on Wednesday of 12,000 staff in the Vickers engineering group to protest about a proposed new pension scheme.

Threats of industrial action over pensions, comparatively rare in the past, have become more common recently, reflecting the importance now attached to company schemes by unions who see them as "deferred pay" and therefore an increasingly important element of collective bargaining, especially when pay restraint policies are in operation.

The Vickers strike is being called by the Association of Professional, Executive, Clerical and Computer Staff (APEX), the supervisory section (TASS) of the Amalgamated Union of Engineering Workers and the Association of Scientific, Technical and Managerial Staffs (ASTMS).

Similar protests were threatened last year by staff at Guest Keen and Nettlefolds and Tube Investments, but were called off when agreement was reached.

To-day and to-morrow staff unions will also be meeting to consider pensions offers from Rolls-Royce (1971) and the Clarke - Chapman engineering group.

Of the Vickers dispute, Mr. Keith Standring, APEX executive secretary, said yesterday that the one-day strike was a preliminary to a continuing campaign of industrial action.

"After two years of patient negotiating by the unions, the pensions scheme is still unacceptable." It compared badly with schemes in other group companies and Vickers had refused to increase its level of contributions which the unions considered too low even on the existing pension plan.

The Vickers negotiations are apparently not subject to the pay policy, because of the length of time they have been in progress. The government has said that where unions and managements were in detailed negotiations for new schemes three months before the policy was introduced, improvements to those schemes need not be off-set against the £6 weekly pay limit.

# Power engineers against more flat-rate rises

BY JOHN ELLIOTT, LABOUR EDITOR

A WARNING to the TUC not to try to "railroad" unions into accepting a second flat-rate pay limit this year was issued yesterday by Mr. John Lyons, general secretary of the Electrical Power Engineers' Association.

"There can be absolutely no repeat of the flat-rate concept. The arbitrary, mindless and unjustifiable cut-off point of £8,500 a year must also disappear from any future incomes policy," said Mr. Lyons.

Writing in a special issue of his union journal dealing with pay policy, Mr. Lyons said: "The policy of continuing to penalise the craftsman, the face worker, the technician, the engineer and the manager — in a word all the key people needed for our industrial recovery — must be reversed."

Mr. Lyons, whose members earn on average about £9,000 a year, has been one of the staunchest opponents in the TUC of the flat-rate policy.

He is clearly determined to do his best to start a major debate on the next stage of the policy before the TUC draws up its own ideas.

The TUC's work is getting under way. Its economic committee will meet on Wednesday to start considering its annual economic policy review, which will be presented to the Government and which will lead to talks with Ministers on Pay.

Another call for variable pay rises came in Mr. Lyons' union journal from Mr. Mark Young, general secretary of the British Air Line Pilots' Association.

He said that it was essential, if Britain's economy were to improve, that workers received "adequate rewards for skill and responsibility in our productive industries."

● The Housebuilders Federation has written to the Prime Minister warning him of a potential "disastrous shortage" of house building land which could virtually halt private housebuilding before the end of the decade.

# Key election at Cowley plant today

By Our Labour Staff

SHOP-FLOOR elections vital to the future of industrial relations at British Leyland's Cowley assembly plant are being held to-day. Results are expected to-morrow.

Among 34 candidates for seven posts of deputy senior steward is Mr. Alan Thornett, a Trotskyist, nicknamed "The Mole," whom Leyland and other stewards have blamed for much of the industrial unrest at Cowley.

Leyland has said it will not recognise Mr. Thornett if he is elected.

To-day's elections were preceded by bitter public wrangling between Left-wing and "moderate" shop stewards. Last week Mr. Reg Parsons, senior steward of the Transport and General Workers' Union, claimed that there was a "behive of extremist activity" by Left-wingers in the plant.

Mr. Thornett and others on the far Let seek to regain positions of influence from which they were ousted 18 months ago.

Recently elected branch chairman of the TGWU at the assembly plant, Mr. Thornett last week was voted off the union's Midlands Region Committee, in an election of little significance compared to to-day's shop-floor vote.

# Airport pay claim

UNION LEADERS are seeking an urgent meeting this week with the British Airports Authority to press a pay claim by workers at Glasgow that is holding up settlement of a wage rise for all 5,000 BAA employees in the country.

The authority has offered £6 a week all round, the maximum allowed by Government policy, except to some 200 manual workers at Glasgow who are on higher rates—between £8 and £20 a week more—which they retained when Glasgow was transferred to the BAA from the local authority last year.

Instead, the BAA has offered to "buy out" the differentials over two years with lump sums. But, according to an official of the Transport and General Workers' Union, this lump sum is in most cases worth only half the differential over the two years.

The BAA has said that payment of £6 to employees at other airports, due at the beginning of this month, depends on the Glasgow men accepting the lump sums.

If the two sides still fail to agree, the issue could be referred to the independent Advisory, Conciliation and Arbitration Service.

# Doctors wait for decision

JUNIOR DOCTORS at Battle Hospital, Reading, yesterday withdrew their threat to resume industrial action from to-day to wait for a decision by their national representatives to-morrow.

Doctors' leaders will decide whether enough guarantees have been given in their dispute over pay and hours to call off national industrial action, at present only suspended.

# WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interims or finals. The sub-division shown below is based mainly on last year's time-table.

TO-DAY

COMPANY MEETINGS—

Clydesdale Investment, Glasgow, 2.30
Wade Potteries, Stoke-on-Trent, 12

Finals:
Barr (A. G.)
Braid
Smallshaw (R.) (Knitwear)
Turner Mfg.

Interims:
Briarey
Hogg Robinson
Wellman Eng.

DIVIDEND & INTEREST PAYMENTS—

Atlanta, Baltimore and Chicago Regional Inv. Tst. 0.15p
Bellway Ord. 1.1815p
Boosey and Hawkes 1.265p
Brown Shipley 3.5p
Brunning Ord. and Rest. Voting Ord. 1.1375p
Caerphilly 7¼pcBds. Red. 12/1/77 3⅝pc
Caledonia Invs. 2.852p
Chloride 0.96p
Compton Partners 2.47p
Courtaulds 1.964p
Downs Surgical 0.7p
Early (Charles) and Marriott (Witney) 6pcPf. 2.1pc
Guinness Mahon Ln. 3pc
Highams 0.7p
Investment 0.375p
Kleen-E-Ze 0.375p
Mitchell Cotts 2.36695p
National and Commercial Banking 1.093p
Plaxton's (Scarborough) 3.33p
Rotaprint 1.0186p
Steel and Barnet: 5 cts.
Vernon Fashion 1.11186p
Wade Potteries 0.63049p
Wheeler's Restaurants 1.57p
Williams (W.) 0.3p

TO-MORROW

COMPANY MEETINGS—

Leeds and District Dyers and Finishers, Leeds, 12
Osborn (Samuel), Sheffield, 12.30
Ransome Hoffmann Pollard, Quaglino's, Bury Street, S.W., 12
Stockholders Investment Trust, Winchester House, E.C., 12

Finals:
Assoc. Sprayers
Dewhurst and Partners
Fluidrive Eng.
Hickson and Welch
Investors Cap. Tst.
SGB
Tollemache and Cobbold Brews.
Trident TV
Vosper Thornycroft
Warner Estate

[illegible]

WEDNESDAY, JANUARY 14

[illegible]

THURSDAY, JANUARY 15

[illegible]

FRIDAY, JANUARY 16

[illegible]

SATURDAY, JANUARY 17

[illegible]

# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

## Davy makes mill rolls last longer

A ROLL which has been proved to give ten times longer life than that previously attained with cast-iron rolls of conventional type, is the latest addition in the range of mill rolls made and marketed by The Davy Roll Company, a Davy International company.

Achieved in rod and bar mills in Britain and overseas, these results can provide a significant improvement in mill utilisation, due to the reduction in the number of stoppages needed to change worn rolls.

Arborolls are of composite construction. They employ an outer ring made of tungsten carbide or other hard metal as the working surface, fixed to a central shaft made of either cast-iron or steel.

Tungsten carbide can withstand the abrasive action of hot metal during the rolling process far better than cast-iron. Operating results from mill trials have already demonstrated that the rolls combine high wear resistance on the working surface with the strength necessary to withstand the heavy loadings of modern rod and bar mills.

These composite rolls can be used in a wide range of mills without modification or replacement of the mill stands. Thus more roll users can gain the double benefit of employing tungsten carbide as a roll material without incurring the high costs of mill alterations or the installation of new stands.

As an essential step in design and production of the new Arboroll (trade mark) range, Davy Roll has entered into agreements with Karl Hertel GmbH, a German manufacturer of tungsten carbide. These give Davy Roll exclusive rights in the U.K. and Republic of Ireland to produce rolls employing a patented method for fixing hard metal rings to a cast iron or steel shaft (British Patent No. 1312755) and enable Davy Roll to sell composite rolls embodying this technology in most countries of the world.

The Sheffield company will thus be able to supplement its own design development with the know-how and experience gained in this field over many years by Hertel and its collaborators.

Davy Roll is establishing a manufacturing unit in Sheffield which will specialise in these new rolls, using tungsten carbide and other hard metal rings and has already developed some of the special facilities necessary for their production. Production has begun and it is intended that the rolls will be marketed in the U.K. initially and subsequently the rest of the world through existing Davy outlets.

Davy Roll is at 0742 40381.

## Automated turret lathe from Japan

A NUMERICALLY controlled turret lathe with a swing-over bed of 20 in., capable of threading, undercutting, taper turning, arc contouring and reverse feed turning, has been developed by Ikegai, Japan. It has an Okipath 850 closed loop control system, said to provide greater flexibility than previous systems.

Fully automatic spindle speed changes with constant power in 12 steps from 80 to 2,000 rpm are fitted as standard, with 14 or 16 steps from 40 to 2,000 rpm available as optional extras.

A feature is the sliding console which allows the operator manual control without having to move back and forth from the NC unit. This is advantageous when machining soft jaws. The machine can be supplied with a square or hexagon turret head, or with both as an optional extra, allowing centre and chuck work to be accommodated. Changing from one turret to another takes about 15 minutes. Indexing is by a self-centring Curvic coupling which is almost wear-free, prevents backlash and ensures maximum rigidity with exact repeatability, says the maker.

Programming and setting times are said to be short allowing the economic production of small batch sizes. Tool setting can be simplified by the use of Ikegai's system which consists of one or two gauges for setting any of the five basic tools (turning, facing, profiling, grooving, threading) accurate to ±0.0004 in. within seconds on the lathe by unskilled operators. A microscope tool setting gauge and a quick-change toolholder are available.

It is stated that as an indication of machining accuracy, 20 test pieces were produced turned to 3 in. o.d. with a 2.5 in. bore. All pieces fell within −0.001/−0.002 in. on the outside diameter and within +0.0005/−0.0002 in. on the inside diameter.

Called the ANC 20, the machine is available in two bed lengths, 107 and 97 in. with a single bed width of 17 in. Depending on bed length, longitudinal carriage travel is 60 in. or 40 in.; cross slide travel is 11¾ in. Respective distances between centres (with square turret) are also 60 in. and 40 in. A 2 1/16 in. diameter hole is provided in the spindle.

The machine is sold in the U.K. by N.C. Engineering, 26, Benskin Road, Watford, Herts. WD1 8NW (Watford 24396).

● CATERING

## Simplified catering system

DEVELOPED IN France, the Régéthermic food service system is claimed to be a new concept of distributing and serving meals in hospitals, nursing homes, cafeterias, convention centres, and similar institutions, as well as to the aged in their own homes.

The company has developed equipment capable of providing from 50 to over 2,000 meals at a time, with, it is claimed, no deterioration in food quality, a saving in staff costs, increased productivity, reduced capital investment, and a smaller floor space requirement.

Food is prepared in the conventional way at a steady rate over an eight-hour shift, with no requirement for peak production (so less equipment is required). It is then accelerated chilled to 3 deg. C, when it can be stored in a refrigerator for up to three days, or it can be frozen.

Special thick porcelain plates, with aluminium or stainless-steel covers, are used to contain each meal. When required the chilled food is brought to serving temperature (60 to 65 deg. C) in 10 to 13 minutes, using a special oven with infra-red elements projecting heat from above and below each container.

The company says that even omelettes, fried eggs, mashed potatoes, and rare steaks, can be prepared and served using the system without deterioration.

Estimated cost for equipment to produce a batch of 50 meals (excluding kitchen gear) is £2,000. More details from Régéthermic U.K., 2, Devonshire Gardens, Strand-on-the-Green, Chiswick, London W4 3TW (01-995 6724).



## Airtube has jumbo carrier

LATEST and largest in the range of SampleLink airtube systems made by Dialled Despatches is a carrier 23½ inches long and 7¾ inches in diameter. It carries a payload up to 22 lb.

Apart from its role in taking bulky production samples to a laboratory for tests, it can be used for distributing components, materials, and tools between stores and production lines, or despatching materials in and out of security or clean areas. The smooth run and soft "air cushioned" landing of the big carriers make them ideal for transporting delicate spare parts, measuring instruments, liquids, etc., says the maker.

A carrier is despatched from place to place via a send station on its 10 inches diameter tubing run. Forced air movement inside the tube lifts it off on a 22 feet/second "flight." Air movement is provided by an electric blower unit. Usually carriers will travel back and forth by reversing the air flow, but for heavy usage, twin-tube systems can be installed.

Almost any distance can be covered by the tubing run with vertical sections to take it into roof spaces, to bridge roadways, or run below ground in ducting.

The tubing is made of unplasticised pvc, with bends formed in glass fibre, for easy maintenance. In special areas steel or alloy sections can be used. Send/receive stations are formed of steel plate to take heavy handling.

The maker is at Harbour Road, Gosport, Hants., PO12 1BG, (07017 87311).

● HEATING

## Sump oil used as fuel

A SPACE or process heater unit for engineering and other departments that uses vehicle sump and other used mineral oils to provide up to half the fuel requirements—it is blended with 35 second gas oil—is being offered by Combat Engineering, of Oxford Street, Bilston, Staffs. It is claimed that the cost of a ½m. Btu/hr air heater, including installation can be recovered in about a year.

Vehicle sump oil is one of the biggest sources of used oil and its disposal can be a problem, particularly on islands like Jersey or the Isle of Man, where it may be necessary to transport it to the mainland. The maximum likely to be received for it is around 7p per gallon. Often a charge is made to take it away. Substantial savings can therefore be made when it is blended with gas oil costing 28.85p a gallon for bulk deliveries.

The "freeheat" waste oil blending system was developed by Heating and Air Treatment, of Chichester, after trials with a unit made by Combat Engineering, which now has manufacturing and marketing rights.

The composite refining unit comprises a primary filtration and metering assembly, an oil transfer reservoir embodying secondary and tertiary filtration, metal separation and decanting.

The gas oil gives stability to the flame and can, of course, be used in proportions from 100 down to 50 per cent. The used oil has almost the same calorific value as the gas oil.

## Heat kept close to demand

COMBUSTION division of Hamworthy Engineering—part of the Powell Duffryn group, with headquarters at Poole, Dorset—has evolved an automated controller for its modular boilers that can be fired as individual boilers or as batteries.

Fluctuation in demand can always be met by varying the number of units in action. The scheme, therefore, has a strong fuel economy advantage.

The new control system is of transistorised solid state design and has two basic cabinet sizes—one for four, six or eight steps and the other for ten or 12 steps. There is a neon indicator light for each step and a master mains "on" light with master and individual boiler fuses.

The cabinets incorporate easily replaceable plug-in type printed card circuits to cover not only boiler sequencing but also power supply and temperature control. Compensating adjustable potentiometers, accessible from inside the cabinets, are built into the system to accommodate variation in heating system designs, outside compensation in relation to aspect temperature control and the balancing of heat input to load requirements.

Powell Duffryn on Poole (020 13) 4333.

● COMPONENTS

## Relays for rough treatment

LOW-COST relays specifically for vending machine and amusement equipment applications have been announced by Magnetic Devices. Derived from Series 270 relays they are called Series 270C and meet the requirements of the vending/amusement industries for reliable performance and ease of service.

A push-button, press to operate key provides a quick means of checking correct operation without removing the relay from the circuitry under test. Mechanical life is better than 10m. operations, and electrical life is 100,000 operations at full load.

Series 270C is available in two and four pole, same polarity switching versions with coils rated at 1.4 VA 50 V AC, or 0.9 W 24 V DC. Ambient operating temperature is up to + 55°C and insulation between coil and contact is proof voltage tested to earth at 1500 V RMS 50Hz.

Magnetic Devices (Pye Group) Exning Road, Newmarket, Suffolk CB8 OA6. Newmarket 3451.

● AGRICULTURE

## Ensures correct watering

ELECTRONIC controllers which can be linked to any irrigation equipment have been introduced by Flowering Plants, of Radclive, near Buckingham (02802 3764).

Using a three-pronged probe (9½ inches wide, 6 inches deep), the dielectric constant of the soil (capacitance drops as water content increases) is measured. The maximum and minimum water level required is set as a [percentage] on a small control [unit] which operates a solenoid v[alve] or relay to start or stop irrigation equipment. The c[om]pany recommends installing 3 to five controllers per acre u[nder] glass in the U.K.

For example, water co[ntent] can be set to control the we[ight] of a litre of peat between [...] and 850 gms, to an accurac[y of] ± 2½ per cent., says the m[aker]. This degree of control m[eans] that optimum irrigation ca[n be] maintained, under most c[ondi]tions. The equipment is st[ated] to be stable in an ambient [air] temperature range from free[zing] to 104 deg. F.

Because the controller [is] measuring the dielectric [con]stant of the substrate, it is [not] affected by fertilisers, other [...] or the pH level of the [...]. Although massive change[s in] these factors may affect the [con]troller, at that stage the [...] would be unsuitable for [plant] growth. A 24-volt AC supp[ly is] required for the contr[oller] which, once set, is fully [auto]matic in operation.

Advantages claimed are [pre]cise and consistent contr[ol of] the rate and character of gr[owth] and substantial savings of w[ater].

Suggested applications in[clude] irrigation of protected crops [par]ticularly under glass an[d in] restricted substrate volume [...] areas where water is sc[arce,] simplified maintenance of [golf] courses and amenity areas.

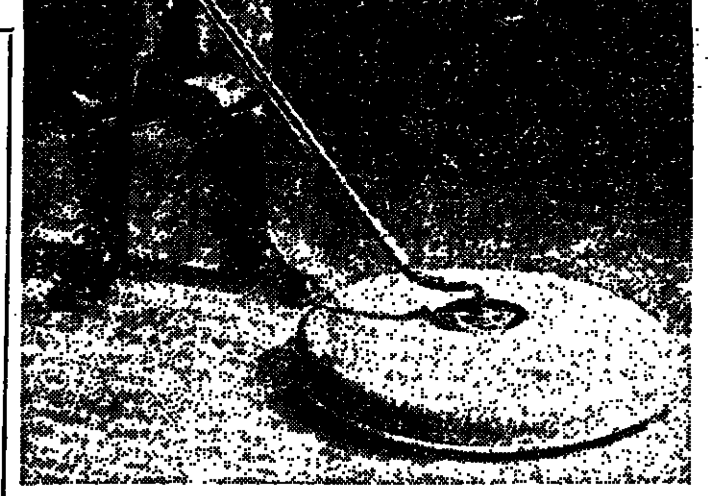
● NORTH SEA O[IL]

## Suppliers get listed

THE GROWING capabilit[y of] U.K. companies to supply e[quip]ment and services to the off[shore] industries is reflected in [the] latest edition of Offshore [Sup]pliers Guide published [by] Petroleum Times in co-oper[ation] with the Offshore Supplies [Office] of the Department of Ener[gy].

Products and services co[vered] show the extent to which [British] companies have become inv[olved] in the vast and complex pr[ojects] now set up to extract oi[l and] gas from the sea bed. It [would] seem there is hardly an ind[ustry] which cannot contribute i[n one] way or another.

Copies are available fro[m] Industrial Press, 33-40, Bo[wling] Green Lane, London EC1R [...] (Price £6.50.)



## Hovering rotary cleaner

BELIEVED TO be the first of its kind, a rotary floor cleaner that works on the hovercraft principle is being marketed by Neolith Chemicals, Peel Mill, Market Street, Shawforth, Nr. Rochdale, Lancs. (070685 2731). Shaped like an inverted saucer, it is claimed to clean large areas of flooring or concrete, even if compacted with grease and rubber deposits.

Known as the Cyclone, the machine hovers with water jets revolving at about 300 rpm ¾ to 1 inch from the surface, and 2 foot 6 inch swathes can be cleaned at a slow walking pace. The pressure used is between 2,000 and 3,000 psi at an average flow rate of 8 gal/min. Water alone is sufficient to clean away deposits when this sweeper is used because of the high pressures used.

A "dead man's handle" is incorporated in the hand grip, and the jets are shrouded in a glass fibre enclosure, so that there is no overspray.

● PACKAGING

## Fills under aseptic conditions

ENGELMANN and Buckham has a new Gasti aseptic, form, fill and seal machine.

This is a completely new design which provides an extended shelf life for dairy products by eliminating traces of disinfecting agent in the packages, and stopping insufficient sterilisation of cup lids.

Energy consumption is reduced and daily renewal of roll membranes in the dosing plant is eliminated.

The most important new feature is, that cups and lids can be sterilised at the same time in a special chamber where peroxide steam condenses as a fine film on the inner surfaces of the packages. It is then possible to dry the cups at 180°C with hot air, as cooling takes place from the outside, and with minimum consumption of energy due to the small volume of the sterilisation chamber. The cups are then passed through the filling station, which has an automatic cleaning programme, before being sealed under a slight vacuum.

By maintaining a positive pressure of sterile air within the completely encapsulated machine, any contamination of the packages by foreign air is prevented. Any escaping peroxide vapour is rendered harmless by a catalyst.

A cup-forming and labelling machine is synchronised with the filling and sealing machine and the scrap plastic foil and aluminium foil from it can be recycled as the two are not bonded.

Sterilisation of the forming equipment is unnecessary and there is a longer cooling time after forming.

By using cups manufactured from cheaper raw materials (for example paper coated with aluminium foil) quality is improved in respect of permeability rate, which results in a longer product life.

Agents in the U.K. for Gasti equipment are Engelmann and Buckham, William Curtis House, Alton, Hants, GU34 1HH. (Alton 82421).

## Lower-cost laminate for foods

A NEW type of packaging, taking advantage of the inherent properties of aluminium foil, has been developed by Star Aluminium Company of Wolverhampton.

The specification—a laminate of aluminium foil, oriented polypropylene and polyvinylidene chloride—is an addition to the range of laminates produced by the company and is aimed specifically at the requirements of packaging coffee and cake mixes at a lower cost than with foil substitutes such as metallised film.

The aluminium foil laminate has exceptionally good moisture vapour and oxygen barrier properties.

Star Aluminium (Alusuisse), Penn Road, Wolverhampton WV3 0DN. (0902 27861.)

● ELECTRONICS

## Miniature cassette recorder

CLAIMED TO be the world's smallest cassette tape recorder with a 60 minute programme time, the RQ 160S, introduced by National Panasonic, weighs 320 grams and measures 132.6 x 64.5 x 28.2 mm. It uses 10 gram 30-minutes-a-side standard micro-cassettes.

Driven by 3V R-6 dry batteries, it has a built-in condenser microphone, with automatic recording level. Frequency response is 200 to 4,000 Hz, and power output is 100mW rms (max.). Tape speed is electronically controlled.

Controls include record/playback, fast forward/rewind, together with cueing, reviewing and a pause button. An LED indicates "on" and battery level.

Available in the U.K. at £83.29 from Teletronics, 9, Connaught Street, London W2 2AY (01-723 7443).

● SAFETY

## Small craft bilge pump controller

THE THYREKO bilge pump controller protects small craft when unattended at their moorings. The controller will start a ship's electrical pump when bilge water reaches a pre-determined level and stop it when the level has been reduced to a second datum. It will continue to function as long as battery power is available.

The controller detects the change in conductivity between stainless steel electrodes when they come into contact with water. To prevent electrolytic corrosion the unit generates low level ac which is applied to electrodes as the sensing signal. In its quiescent state the total drain from a 12V dc system does not exceed 10mA.

To simplify installation sensing electrodes are supplied as a composite assembly which requires only a single mounting hole. Electrodes may be positioned up to 20 metres from the controller.

The unit is provided with two switches, one of which sets the controller for automatic operation while the other gives overriding manual operation of the pump and by-passes the unit's internal fuse. A solid state indicator shows when power is switched to the pump.

For additional long term security of the vessel the Type 650 can be supplied with a built-in solid state counter which provides an accurate indication of comparative leakage rates.

To keep battery power consumption to a minimum the counter indicator is normally off and is illuminated by depressing a "read" button. The counter (excluding indicators) adds only 10mA to the standing battery drain.

Thyreko is at 8, Endeavour House, North Circular Road, London, N.W.2 (01-455 6675).

## CONTRACTS AND TENDERS

# Building and Civil Engineering



## ...3m. London housing contracts

HOUSING contracts, ...er worth over £8m., have ... awarded to H. Fairweather ...ompany (Wood Hall Build... ...roup).

...far the largest is a £7.3m. ...act for 478 homes on the ...n Borough of Wands...'s East Hill estate.

...ses, flats, maisonettes and ... for the elderly will be ... There will be 178 one-...om, two-person flats, in ... blocks, each three storeys. The houses will be built ... blocks—three blocks, inter-...cted, will contain 23 two-...om, four-person units, ...er with 23 four-bedroom, ...rson units; the remaining ...cks, each two storeys high, ...rovide 77 three-bedroom, ...rson houses, and 26 two-bedroom, four-person units.

The maisonettes are to be in six blocks—four blocks of four-person, two-bedroom units and two blocks of five-person, three-bedroom units, all four storeys high.

The sheltered homes for elderly people are to be in a two-storey unit which will provide 26 single-person bed-sitters and seven one-bedroom, two-person flats, together with a warden's flat.

Architects are Diamond Redfern and Partners.

The second contract, worth £946,000, is for the construction of 62 old persons' flats, a church and an old people's day centre in Elgin Avenue, Paddington, London.

Architects for the project are Biscoe and Stanton and the employer is Paddington Churches Housing Association with the London Diocesan Fund and Westminster City Council involved as clients for the church and the old people's day centre respectively.

The new construction replaces the 100-year-old St. Peter's Church and its vicarage. The new church, built of brick, will seat 200 and be capable of extension, by means of sliding panels, to combine with the adjoining church hall.

The flats consist of bed-sitters for single people and two-person flats which will provide a lounge and a bedroom, together with a warden's flat and some communal facilities.

## Fairclough gets £2.8m. contracts

CONSTRUCTION of a production hangar at Warton Airfield, Preston, Lancs., for the military aircraft division of the British Aircraft Corporation is to be undertaken by Fairclough. Value of the contract is £2.3m.

Work is being carried out by the Fram Gerrard Division and is due for completion in 76 weeks.

The building will cover about 10,000 square metres, with a two-storey office block covering a further 1,200 square metres.

The hangar construction is to be of concrete reinforced foundation bases, reinforced concrete floor slab, structural steelwork framing, and lattice beam girder with half roof trusses to form pitched roofs. Cladding will be metal insulation quilt with purlin linings to the roof and the elevations down to 3 metres from the floor. External faced cavity wall brick construction will be erected to a level of 3 metres.

The two-storey office block will be constructed on reinforced concrete foundation bases and will be of structural steel framework with pre-cast concrete floors, in situ concrete staircases, a metal deck felt covered roof, and brick cavity walls.

In Liverpool the Fairclough Fram Gerrard Division is to build 32 dwellings of traditional construction, in South Street, for the City Council at a cost of £328,000. The buildings will comprise two-storey, one- and two-bedroom terrace flats, two-storey, three- and four-bedroom houses, and, three-bedroom disabled persons bungalows with garages.

For Salford Council the same Division is to build a shopping and housing complex at the Clarendon Centre. The contract is valued at £128,000.

## £2½m. water pumping station

A SURFACE water pumping station is to be constructed at Beckton for the London Borough of Newham, acting on behalf of the Thames Water Authority.

The contract, worth over £2½m., has been awarded to John Mowlem; consulting engineers are Mason Pittendrigh and Partners.

The pumping station will handle surface water drainage from Newham's proposed residential and industrial development at Beckton and will be one of the first major constructions in the docklands redevelopment scheme.

Main civil engineering works involve two interconnecting circular reinforced concrete wells sunk 16 metres below existing ground level through marshy clays, peat, gravel and Thanet sand. The wells will be constructed by forming permanent cast in-situ diaphragm walls 29 metres in diameter and 1 metre thick for the wet pumping chamber and 20 metres diameter and 800 mm thick for the inlet chamber.

Eight 900 mm diameter pumps with a capacity of 16,000 litres/sec, will raise the water to an outlet chamber discharging into twin 2100 mm diameter concrete pipes which will carry the effluent 600 metres to a fan-shaped discharge constructed at the river wall.

## ...oam wall insulation resistance

...ONAL Cavity Insulation ...ation is seriously con...l at the number of local ...ities in coastal areas who ...ll paying little or no heed ... Type Relaxation instruc...om the Department of the ...nment concerning the use ...m in cavity walls and who ...lmost brought these opera...o a complete standstill in ...areas.

...is despite the Save-It ...ign, soaring fuel prices ...he widespread knowledge ...ver 40 per cent of heat ... from a house are through ...lls.

...Richard Chambers, chair...f the NCIA, has indicated ...is organisation had hoped ...e Type Relaxation to the ...g Regulations, sent out to ...uthorities by the Depart...n October last year would ...me the resistance of cer...f the authorities to foam ...ion — resistance which ...when, some months earlier, ...inted out that foam filling ...l the gap between inner ...ter leaves of a cavity wall ...us should be the subject ...rmit.

...to misinterpretation of ...ording of the Agrément ...ate under which cavity ...nsulation operators are ...d to work, local authori...vering coastal areas, for ...e, can frustrate applica... These areas contain some ... cent. of homes in the ... Mr. Chambers claims ...many authorities are ... advantage of the situa...d stopping the insulation ...ings which are judged to ...uitable ... by ... technical ...of the coastline in Britain is within the three and seven wind-driven index which the Agrément Certificate classes as a moderate zone.

This covers parts of Cornwall, Wales and Cumbria—the severest areas—but councils are interpreting the five-mile coastal region as a severe exposure zone, even the south coast. Some local authorities, particularly in Devon and Cornwall and some other westward regions are bringing the activities of the insulation industry almost to a standstill where their jurisdiction runs, even though prior to 1975 some 25,000 homes had been successfully insulated in these areas.

Mr. Chambers claims that in other regions, authorities are stopping insulation work for "minor reasons" which have no real technical significance. For instance, small patches of decorative stonework or unprotected brickwork in the walls to be insulated are being interpreted as against the Agrément Certificate and unnecessary delays are resulting.

The NCIA is bringing what pressure it can to bear and is seeking to alert everyone to the fact that unwarranted delay only puts up heating costs and could make the provision of a service on demand very difficult if operators go out of business for lack of work.

It has sought support from the Department of Energy in the form of a special telephone number manned by an expert on insulation who would certify the savings possible and allay the fears of any caller needing reassurance, but the Department is not prepared to do this.

At the same time, the Association has pointed out the absence of any reference to wall insulation in the TV portion of Save-It and it is understood that when fresh funds are available for a new campaign this will be rectified—but only in two to three months.

The Association has also approached Mr. Benn with a view to obtaining for private householders the same type of tax relief as is being afforded to industries that save energy.

The DoE, although it accepts that the Association has grounds for concern, believes that the situation is improving. There is, at present, no intention of making any further approach to the local authorities. The DoE attitude is that the authorities can easily obtain—and in fact should already have—the very detailed and accurate exposure map drawn up by the Building Research Establishment in 1971. This will show without any peradventure exactly where the various zones determining the applicability of the Agrément Certificate actually lie.

The Type Relaxation is, however, something rather novel and a watch is being kept on how it is working out so that if the situation continues unsatisfactorily to the industry there clearly will be a re-think.

Householders who are facing rapidly escalating fuel bills will undoubtedly want to know why they are being put off by some councils in areas and for property which unquestionably are suitable for cavity foam insulation.

On a national note, it is worth remembering that over 40 per cent. of all fuel burned in the country goes to producing domestic hot water.

## Copes with big waste problem

STATIC refuse compaction systems and mobile transfer units manufactured by Anchorpac form the heart of a major co-ordinated waste disposal scheme operated by Perkins Engines at its three main factories in Peterborough, Northants.

The new controlled waste scheme makes provision for the collection of refuse from three separate factories in the town.

Under the scheme all waste will be brought to central disposal areas and reduced to a fraction of its former bulk before being packed into hygienic sealed containers. Handling time is reduced to a minimum and risk of pollution, fire and rodent infestation eliminated.

Perkins generates well over 750 cubic metres of refuse weekly and requires round the clock availability of service combined with high safety standards.

To cope with this volume of waste twin Anchorpac P-911 packers work in tandem on the major 149,000 square metre Eastfield site.

In addition the fully automatic P-711 system—with a 28 second cycle and a powerful ram thrust of over 19.5 tons which compacts refuse in the ratio of 5 : 1—has been installed to handle all waste generated by the Fletton factory. A second P-711 packer disposes of refuse from the new Fletton warehousing complex.

Waste is collected in wheeled totally enclosed containers and these are towed to the compaction units.

The packers, fitted with hydraulic lifting arms, then lift and empty the containers into the hopper clearing a train of five containers in under 10 minutes. The hopper is cleared by powerful rams which pack the unsegregated waste into sealed containers for final transfer.

This waste handling scheme is serviced by the London Brick Land Development Refuse Disposal Division.

...forced cement has a high resistance to impact damage and the piling can be coloured during manufacture to meet environmental requirements in marinas, rivers, canals and other amenity areas.

Manufactured in four different profiles, the piling is supplied in lengths ranging from 2 metres to 5 metres and in widths between 80cm and 100cm, depending on profile.

Charcon Ringvaart, which is a member of Charcon, the construction subsidiary of the Charterhouse Group, recently set up a production facility in Holland to serve the market in northern Europe. The main manufacturing plant is at Middleton-by-Wirksworth, Derbyshire.

## £3.8m. City office block started

PREPARATIONS for the construction of a 32 metres high block of offices in Swan Lane, London EC4 are now under way.

Work on the 3,460 square metres site has been started by Sir Robert McAlpine which plans to complete the reinforced concrete frame structure early in 1978. Value of the contract is £3.8m.

The fully air conditioned building which is being constructed for Edger Investments, will measure 74.6 metres on plan and be served by four passenger lifts. It will be externally clad with granite panels, brickwork and aluminium-framed windows.

Architects are William Holford and Partners, quantity surveyors; Kenneth R. Kensall and Partners and consulting engineers, Mott Hay and Anderson.

## Dock job in Saudi Arabia

SAUDI Arabia's Ministry of Communications has awarded a massive dock contract to a consortium of Belgian and Netherlands companies to provide the port of Dammam with a new dock and approach channel.

Total cost of the work is estimated at 25bn. francs or over £300m., and it is being started up now with Dredging International of Antwerp and Hollandse Aanneming Maatschappij on site and are expecting the first dredgers.

Scheduled time for completion of the contract is 36 months.

## Tunnel move to bureau

A MOVE to decentralise computer operations and transfer major functions to a bureau service is being made by Tunnel Cement, which has contracted with Management Computing Services, Warner House, 48, Upper Thames Street, London, EC4V 3DE.

Tunnel Cement says that its management decided a more efficient and economical administration could be operated on a decentralised basis. The company investigated alternative methods of producing the essential management information which the existing centralised computer operations provided. These investigations showed that the most practical method of handling the day-to-day computing was to employ accounting computers at each of the company's major producing locations.

Existing systems that could not be handled by the local computers have been replaced by the bureau's operation. This provides Tunnel Cement with a full stores control system, detailed sales analysis and comprehensive management information. Transfer of the work has been completed and Tunnel Cement have closed down its own Honeywell installation at Croydon.

## Supplying the bricks

OVER ½m. buff-coloured rustic bricks and a large quantity of special shapes are being supplied by Ibstock Building Products for the first stage of the Shieldhall complex now under construction on a 44-acre site in Renfrew, Scotland.

This development, by the Distillers Company, will be used as a whisky blending and bottling plant. Main contractor is Henry Boot.

## Airports of the future

AIRPORT planning, design and construction, operational requirements and changing use and needs will all be among the subjects to be considered at the 5th World Airports Conference and Exhibition at Brighton in May.

Papers on equipping a modern airport will cover the whole field of ground facilities and services including access, road traffic management and parking, aircraft maintenance and operational vehicles, noise and security.

The conference is being organised by the Institution of Civil Engineers from whom detailed programmes and application forms may be obtained (1, Great George Street, London SW1P 3AA).

## Promise of business

AN AGREEMENT has been signed between CCL Systems (the civil engineering systems division of Foseco Minsep's Fosroc building and construction sector) and Green Island Cement Company of Hong Kong to form a fifty-fifty joint venture company in Hong Kong.

The new company, to be known as CCL Systems Far East, will be responsible for expanding business in systems for prestressing concrete, wire splicing and electrical jointing in the Far East.

## Flats and school unit

A CONTRACT, valued at over £657,000 to erect 52 flats at Beulah Hill, London, SE19, has been awarded to Frederick Coyle and Co.

Work on the contract, which was placed by the Radcliffe Housing Society, has started.

Architects are Rowswell and Roberts and the quantity surveyors Lloyd Miller and Associates.

A £178,000 contract has also been awarded to Frederick Coyle for the construction of a school nursery unit and caretakers' residence at St. Hilda's Special School, Ham, for the London Borough of Richmond-on-Thames.

## Fertiliser plant

SOME £3m. worth of plant and equipment has been ordered from Klockner-Belgique to set up a fertiliser plant in the Cameroons.

Capacity will be 50,000 tons of ammonium sulphate, 20,000 tons of superphosphate, 27,000 tons of compound fertilisers and 60,000 tons of sulphuric acid each year.

The plant is scheduled to go into operation in the next few months.

## Framed in plastics

A POST Office telephone exchange building is being fitted with rigid plastics (PVC) window and door frames in Wigan, Lancs.

Nearly 400 window units are being supplied, together with ten large double-leaf loading doors. They are being manufactured in the U.K. by Juno-Roplasto of 3, Kimber Road, London, SW18.

In addition the company is supplying rigid-PVC fascias—a distinctive decorative feature running all round the new building. Because the building will be fully air-conditioned, the windows are all of the fixed light type. Roplasto rigid-PVC window and door frames stated to be the first to be tested and approved by the British Agrément Board and the British Standards Institute.

In addition to never needing painting, or any other form of maintenance, they have significant advantages over timber, metal and aluminium frames. Single or double glazed they provide better heat and sound insulation and can be manufactured to non-standard sizes in both large and small quantities economically.

The frames are available in white, brown and anthracite.

## ...otton processing in the Sudan

...contract for design, con...n and equipping of a ...cotton ginning complex ...100 miles south-east of ...um has been awarded by ...had Corporation to the ...se Sarkis Izmirlian ...ation.

...ly and construction of ...amed factory buildings is ...by Young and Co. (Over... ...water treatment works by ...on Candy (International) ...nufacture and installation of ginning machinery by the American Murray Piratinga Corporation. Electrical installations will be undertaken by Philips BV of Holland.

The ginning complex is part of the Rahad irrigation project designed to change some 300,000 acres of semi-arid desert into productive farm land from which cotton and groundnuts are the principal crops.

Work started earlier this year on a scheme to bring irrigation water from the Blue Nile River to the development area, some 83km distant. These include a supply canal from a new pumping station on the Blue Nile River, crossing the River Dinder by a siphon and discharging into the River Rahad where a new barrage and irrigation headworks is also being built.

The Rahad project consultants are Sir M. MacDonald and Partners of Cambridge.

## ...mping it dry

...ED to a depth of 24 ... since 1974, Blue Rock ..., Oldbury, Worcs., is be...mped dry by Tarmac Road...o provide a tip for domes...se for the local authority. ...task involves the removal ... cubic metres of water ... has to be pumped over ...nce of 400 metres includ...me 61 metres of almost ...face.

...is being carried out by a ...duty Sykes model UV5 ...ift Univac pumping unit ...has been mounted on a ...n. Supplied on hire, this ... has been especially ...d for high head perform...d difficult working condi...t is equipped with 200mm ... and 125mm delivery connections and, working against a total head from all causes of 73 metres is maintaining an output of 5.44 cubic metres per minute.

Installing the equipment presented some problems to the quarry owners due to the steeply sloping sides and the height of the face above water level. The method adopted was to employ a mobile crane, hired from Scotts Crane Hire, with sufficient reach and capacity which could first lower the pontoon, then load the Univac on board. The pontoon itself, on hire from Thos. Storey of Stockport, weighs 7 tonnes and is anchored by lines secured to the quarry sides.

The pump is connected to the steel delivery main by wire reinforced flexible rubber hose floating on drums. The main then rises 30 metres, passes over a ledge, continues for a further 30 metres then follows a slight incline to discharge into a storm drain. Because of the quantities involved a Sykes pump is installed here to deliver excess flows to a canal.

Reliability is one of the principal factors of the operation. The pump is working non-stop and can only be reached by rowing boat after a difficult descent. Round the clock surveillance is maintained by Tarmac Roadstone.

On completion of pumping, which is likely to take several weeks, an access road will be built, providing a local tip of some 390,000 cubic metres with a life of about four years.

## Blackpool store for Boots

THE BOOTS Company has awarded Bovis Construction a building contract for a new retail store in Blackpool.

Victorian premises on the corner of Bank Hey Street and Victoria Street will have to be demolished and they will be replaced by a four-storey building, providing 30,000 square feet of trading area.

It will have a structural steel frame, with brick and glass reinforced plastics cladding on the exterior. The floors will be of precast planking with power-floated insitu topping to receive the floor finish.

It is believed the contract is worth about £1m.

### Modernisation

A contract for the conversion and modernisation of houses in four-storey tenement property at Rutherglen has been placed with the Bovis company, Gilbert Ash Scotland, by the World of Property Housing Trust.

Gilbert Ash will convert 84 flats in seven tenements at Kirkwood Street to form 77 modernised types. The scheme will cost a total of £351,000.

## Grout will cure in seawater

REPAIR of an isolated navigation beacon in the Channel Islands for the States of Guernsey provided an interesting challenge recently for the main contractors due to the difficult tide situation and difficulties encountered during the final grouting work.

F.C.F. Marine Contractors of Jersey, a member of the Demex Group, solved the main problem by using a free-flow polyester resin grout which gave rapid strength development and yet allowed time tolerance for alignment and positioning by untrained men. The "Selfix" grout, manufactured by ECP Resins of Alfreton, cured despite indifferent conditions to be found in the anchor holes, which included the intrusion of sea water.

The Roustel navigation beacon, off Guernsey, had been damaged by a ship which had fractured the core of the structure at the base. The bullet-shaped lighthouse had completely sheared and the objectives of the repairs were to grout up the crack in the base, and, more important, to provide stability against overturning.

Various methods were considered, but the simplest and most efficient was to strengthen the rock base and to drill vertically down from the top of the beacon into the base. Three anchors, each 18 metres long and 32 mm diameter, were to be used. Due to the poor quality of core and rock encountered during the drilling it became necessary to produce holes four inches in diameter.

The next stage was to find a free-flow grout which would tolerate the difficult conditions at the bottom of the hole. Selfix was used and when it had cured, each anchor was stressed to 30 tons.

ECP is at Alfreton (077 383) 2271.

## Venture in Holland

SHEET PILING, manufactured from glass reinforced cement, is now being marketed in Holland by Charcon Ringvaart BV of Hillegom, near Amsterdam.

Impervious to rot, glass rein-

## IN BRIEF

● Atcost (Scotland) has won a £119,224 contract for precast reinforced concrete structural frames, roofing and vertical cladding for 6,243 square metres of speculative warehousing, the first phase of a 13½-acre development by Slough Estates, adjacent to Dyce Airport, Aberdeen.

● Cementation (Northern Ireland) has won three piling contracts worth about £100,000. The largest is for work in Belfast for the Northern Ireland Housing Executive and the others are for a leisure centre for Belfast City Council and Government work in Armagh.

● Terrapin Building and Civil Engineering has been awarded a contract by the Whittaker Corp. for a 550 sq. metre hospital clinic in Saudi Arabia. The 25 units which will make up the clinic are being shipped overland to Jeddah.

THE FINANCIAL TIMES
(Established 1888)
Incorporating THE FINANCIAL NEWS
(Established 1884)
Head Office Editorial & Advertisement Offices:
BRACKEN HOUSE, CANNON STREET, LONDON, EC4P 4BY.
Telephone Day & Night: 01-248 8000. Telegrams: Finantimo, London
Telex: 886341/2, 883897
For Share Index and Business News Summary Ring: 01-246 8026
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Rome: Via della Mercede 55 .... 678 3314 · Stockholm: [illegible] · New York: 75 Rockefeller Plaza, NY 10019 · Washington: Second Floor, 1325, E. Street, N.W., Washington D.C. · Toronto: [illegible] · Jo'burg: 697 Union Centre East [illegible] · Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku [illegible]

MONDAY, JANUARY 12, 1976

# The Scottish dilemma

THE FOUR-DAY debate on devolution which occupies the House of Commons for most of this week is an important opportunity for the Government to take stock of what is at present a thoroughly chaotic situation. There is no reason to suppose that the Welsh proposals contained in the Devolution White Paper will cause violent controversy, for their reception has been generally in a low key. It is very far otherwise with the scheme for a Scottish Assembly. The issue is enormously emotive and has split not only Scottish opinion but both major political parties.

### Separation

In the six weeks since the White Paper appeared, three broad currents of opinion have emerged on the Scottish question. The reaction of the Scottish National Party, of much newspaper comment in Scotland and of a dissident group of Scottish Labour MPs, led by Mr. Jim Sillars, has been that the proposals do not go nearly far enough in that they do not give the new Scottish Executive and the Assembly sufficient power over economic decisions. On the other side stand the bulk of the Conservative Party in England, a vocal minority of Conservative MPs in Scotland and a small section of the Scottish Labour Party. These believe that the proposals go too far—either (in the case of English Conservatives and Scottish Socialists) because they are regarded as the beginning of a slippery slope leading inevitably to complete separation or (in the case of Conservatives in Scotland) because they are thought likely to lead to more government, more taxation and the domination of Scotland by Socialist Clydeside.

The third segment of opinion—that which believes that the Government's package was reasonable in the circumstances—is of indeterminate size. It includes, one must assume, most members of the Government, though some have certainly evinced no enthusiasm. The bulk of the Labour Party in Scotland has now swung behind the proposals and the majority of Conservative MPs in Scotland, including the Shadow Scottish Secretary, Mr. Alick Buchanan-Smith, are probably prepared to go along with them. The big question is whether the proposals are acceptable to the broad mass of public opinion in Scotland.

Latest opinion polls show some swing to the SNP since the proposals were announced; indeed there is now evidence that the Nationalists are the most popular party in Scotland. What is hard to determine is whether this is a surface ripple or represents an underlying current. The hostility of the Scottish media and the last-minute decision to postpone implementation of the proposals until the next session of Parliament may well have produced an artificial disturbance. One poll conducted before Christmas shows that 36 per cent. (the largest section of opinion) feel that the proposed Assembly is adequate or provides a good starting point. Nevertheless it is clear that if the political situation is to be stabilised at all in Scotland a vast amount of political effort and persuasion by moderates will have to be deployed.

### Salesmanship

It is on this point that the Government is most open to criticism. The Cabinet is no doubt in a muddle on the subject and Mr. Wilson has to bear in mind the complaints of his back-benchers that the English regions are being neglected in the rush to appease the Scots. But the stakes are now too high both for the Labour Party and for the Kingdom to allow the game to be played by the usual time-gaining tactics. Having made its decision, albeit one that is open to minor adjustments, the Government must put its full authority behind it. In practice this means a concerted effort by the Cabinet to sell the proposals both in England and Scotland instead of leaving the operation to Mr. Short, whose salesmanship is not exactly compelling, and Mr. Ross, who does not really believe in the product. It also means preparing as rapidly as possible, and publishing, the Devolution Bill by which the scheme is to be put into effect. An air of glum disapproval, boredom and fear hangs over the Government's present attitude on Scotland and its problems, and it is an air in which nothing but nationalism prospers.

# The steel unions' responsibility

THE BRITISH Steel Corporation has made its case. The ball is now in the trade unions' court. During the next two weeks the leaders of the 17 unions that took part in the week-end talks with the Corporation will, or should, do their best to persuade their executive committees and their members that the document produced at the end of the day is an acceptable basis for a fresh agreement with the Corporation. As matters stand the only signatures to be found are those of representatives of the Corporation: the space left for the union leaders is blank.

### Reductions

What the document asks for is acceptance of the need for "significant reductions in manpower," co-operation in the use of low-cost plants while output at the high-cost plants is "stabilised," agreement to internal job transfers, flexible working, and the suspension of week-end (that is, high-wage) shifts until non-premium shifts are fully used. Some of these items may turn out to be harder for the union members to accept than others. Reducing manpower by natural wastage and voluntary redundancy (so far as these suffice) may seem less difficult to swallow than the suspension of high-wage shifts, which would mean lower wages and a rearrangement of the working week. As a quid pro quo the Corporation's management appears to be willing to withdraw the proposal to end the guaranteed working week—provided that fresh arrangements to minimise unofficial strikes are put into force by the unions.

On the face of it the chances of the union leaders "selling" such a package to their members seem slim. Work has already stopped at two places—Ebbw Vale and Port Talbot—and no one can predict the effect on others of news of the week-end agreement or the publication in a few weeks' time of the precise levels of redundancy required at each plant. Yet the climate is different from the one that prevailed last year, when the then Secretary for Industry frustrated an early attempt to reduce manpower.

Trade unionists as a whole have become less militant. The rise in unemployment has made at least some people aware of the consequences of irrationality. Not least, the Steel Corporation has made its own rational position quite plain. Attached to the week-end's document is a table showing that it takes 182,000 workers to produce as much steel as France could turn out with 146,000, Germany could make with 106,000, and Japan could produce with 64,000. Other figures ram the story home: British steel workers produce, on average, 122 tonnes per man-year, against 320 by Kawasaki workers and 520 at Nippon Steel. Taking our five most modern works, the figures range from 180 at Llanwern to 350 at Scunthorpe—compared with 750 at Oita and Fukuyama, which are admittedly among the most productive in the world.

### Fundamental

However these figures are interpreted they prove that steel, one of our most vital industries, is at least as overmanned as, say, British Leyland (whose overmanning is so painfully demonstrated in the Central Policy Review Staff's report). This is a fundamental weakness that cannot be explained away by fluctuations in the trade cycle. The union leaders—backed, it is to be hoped, by the TUC—will serve their members' long-term interests best if they ensure that the message of this arithmetic is understood, for only then can there be any chance of a viable steel industry.

In the wake of the Tindemans Report, Reginald Dale describes the present mood of the Community

# No political distinction for leaders or laggards

NOT EVERYONE would agree with Mr. Leo Tindemans, the Belgian Prime Minister, that the time is ripe for a new "great debate" on the future of Europe. In the present economic climate there are plenty of people, not least in Britain, who feel that the immediate priority is to grapple with inflation and unemployment rather than debate blueprints for further European integration. Even the Community's new President, M. Gaston Thorn, whose "European" credentials are impeccable, has recently commented that the EEC's only achievement last year was that it did not fall apart.

In his report on European Union, commissioned by the nine Heads of Government in December, 1974, and published last week, Mr. Tindemans has made ample allowance for such views. He has not produced an idealistic new vision of a Federal Europe, although he remains a dedicated federalist, nor is he proposing that the Nine should now decide on any major or sudden leap forward to greater integration. He proposes to build gradually on the existing European institutions, and he has deliberately refrained from trying to sketch out a new constitution for Europe. Mr. Tindemans does not go as far, for example, as the Brussels Commission, whose own report on union last summer called for the establishment of a European Government (in which the Commission itself would be subsumed), responsible to a two-chamber European Parliament.


In his report, Mr. Leo Tindemans, the Belgian Prime Minister (inset), leaves the door open for other European democracies to join the Community, provided that they do not endanger the move towards union.

## May have gone too far

Mr. Tindemans has decided to keep his proposals "realistic and feasible." He sees European Union not as the ultimate goal but simply the next phase in European construction, to be followed by more ambitious steps. This is bound to disappoint the idealists, and M. Francois-Xavier Ortoli, the Commission President, has already implied that the report should have been much more far-reaching. On the other hand, by insisting on the need for a "qualitative change" in the nature of the Community, Mr. Tindemans may have gone too far for many other people, especially in the U.K. and Denmark, who feel that the present degree of supranationality in the Community is either just about right, or already excessive.

Significantly, Bonn was the first major capital to welcome the report, and a number of Mr. Tindemans' proposals betray their German origin. The suggestion, for instance, that the President of the Commission should be a more high-ranking political figure is a favourite idea of Chancellor Helmut Schmidt: there is also a German flavour about the proposal that special tasks could be entrusted "to the Commission, to a single country or to one or more persons independently of changes in the Presidency." Herr Schmidt believes that the country in the Council chair is not always the most appropriate agent to carry out major assignments, particularly if it is a small country. The call for greater internal economic, monetary and budgetary discipline is hardly unfamiliar.

## Holding back the others

The report's most radical aspect, its apparent support for a "two-tier" Community, has also been widely credited with German paternity. The immediate assumption has been that Mr. Tindemans is echoing the suggestion first put forward by Herr Willy Brandt. Mr. Tindemans is somewhat dismayed by this, regarding this as a serious misunderstanding. In an interview with the *Financial Times* last week he insisted that he is not thinking of splitting the Community in two. Any country, such as the U.K., that was allowed to lag behind in a new drive towards economic and monetary union would still have to catch up. All nine countries would have to accept the ultimate goals of the Community, all nine would participate fully in all Community discussions regardless of whether they were leaders or laggards. There would, he insists, be no political distinction.

The Belgian Premier sees this "new approach" as the only way out of the present deadlock. It is, he maintains, simply a fact of life that the six countries that are members of the EEC currency "snake" (Germany, France, the Benelux and Denmark) are in a position to move towards greater economic and monetary integration, while the non-members (Britain, Italy and Ireland) are not. If the non-members are allowed to hold the others back, he argues, the Community will stagnate and perhaps even disintegrate. Those that went ahead would help the others to catch up, but Mr. Tindemans is vague about what form this aid would take. He says that the assistance could be "regional, monetary or economic," but that it would be up to the Community to decide the details.

Whether or not this approach fully reflects Herr Brandt's thinking, there are already clear indications that it will be strongly endorsed by the German Government. Others will be far less enthusiastic—if not openly hostile. The Commission regards the idea as extremely dangerous and has already warned that it could cause serious difficulties for the functioning of the Community's institutions. Senior Commission officials argue that the laggards would inevitably soon start losing their political as well as their economic weight in the Community, and the danger of a Franco-German "axis" would increase.

Italy and Ireland, the two likely laggards alongside the U.K., are already privately expressing deep disquiet at the Tindemans proposals. Britain is as yet making no comment, but it is obvious that the Government would have to think very carefully before accepting an arrangement that could very well be interpreted as "second class membership." It is already difficult enough for Mr. Harold Wilson to get his way at Community summits, particularly if Herr Schmidt and President Giscard d'Estaing disagree with him. It could be even more difficult if the U.K. were left outside the dynamic nucleus of the Community relying on help from the others to catch up.

But would the "second tier" ever catch up? One of the major fears in Brussels is that the "two tier" approach would lead to a widening of the gap between the economies of the stronger and the weaker countries, as the prosperity of the stronger countries accelerated. Any narrowing of the gap would require the sort of massive resource transfers that are urged in the Tindemans report, but which Germany has never yet shown the slightest sign of willingness to accept. If anything, Bonn has taken the line that it is up to the weaker countries to help themselves by greater economic discipline and has consistently opposed attempts to spread the Community's resources more evenly through major increases in the regional and social funds.

Quite another possibility, of course, is that the Labour Government or at least some members of it might actually welcome the "two-tier" Community in some form as a way in which Britain could have the best of both worlds. A situation in which the U.K. would have the trade and perhaps foreign policy advantages of membership, without having to commit itself to economic and monetary union could well seem superficially attractive to many people in Britain. If this attitude prevailed the U.K. might not even want to catch up.

## Division more permanent

The further enlargement of the Community, which a "two-tier" arrangement might well encourage, could also help to make the division more permanent. The Tindemans report leaves the door open for other European democracies to join "provided they do not slow down or endanger the move towards union." But it would clearly be on the cards, if the Community were already divided in two, to admit new members with weaker economies into the second tier, alongside those member states that were already lagging behind.

Greece has already formally applied for membership and there is no sign that anyone is going to veto the request. Turkey's association agreement is meant to pave the way for ultimate full membership, and the changing political situation in the Iberian peninsula makes both Spain and Portugal potential candidates. If both Greece and Turkey joined, there could well be a move to include Cyprus, already an associate, and the question of Malta could also arise.

To the north, Norwegian objections to full membership could be reduced if the country was allowed at least temporarily to opt out of economic and monetary union. Sweden, Austria and Switzerland would still be held back by considerations of neutrality, but there is a body of opinion in Sweden that would favour membership if it were clear that the commitment to integration it involved had substantially [illegible]ened.

It is only fair to stre[ss] this is not the scenario [envis]aged by Mr. Tindemans [...] could a Europe organis[ed] these lines be very easil[y des]cribed as a union. The Be[nelux] countries, Italy and Irelan[d] all probably be counted [to] oppose such a dilution [of the] original Community co[ncept]. But it is not so easy to [judge] the reaction of France an[d Ger]many, particularly if [they] thought they would eme[rge as] the natural leaders of [...] Europe.

The French Governme[nt has] not yet reacted publicly [to the] Tindemans report, altho[ugh it] is believed to be showin[g con]siderable interest in [...] There are aspects that [...] may not like, such as th[e pro]posed strengthening o[f the] Commission's authority [...] there must be doubts [about] French enthusiasm for [...] collaboration on security [...] the other hand, Preside[nt Gis]card d'Estaing can be ex[pected] to favour the central ro[le pro]posed for summit meetin[gs ...] France's traditional opp[osition] to majority voting has no[w con]siderably eased. In any [case] Mr. Tindemans is not [...]ing that the national v[eto be] completely abandoned.

## Institutional change

It looks, in fact, as i[f more] or less everyone is re[ady to] accept some progre[ssive] strengthening the inst[itutions] along the lines that Mr. [Tinde]mans proposes, provided [Britain] and Denmark can be pe[rsuaded] to agree. The Commu[nity in] any case is about to em[bark on] a period of institutional [...] as it launches itself on [un]charted waters of dire[ct elec]tions to the European [Parlia]ment, in just over two [years'] time. Whether or not a [period] of economic crisis is t[he right] time for institutional [change] there are probably [...] people in most of th[e ...] countries who are suf[ficiently] depressed by the failu[res and] setbacks of the last tw[o years] to be prepared to exp[eriment].

One prominent Europ[ean] told Mr. Tindemans tha[t there] is a 25 per cent. chance [of his] report being adopted. Mr [Tinde]mans admits he may b[e right] but he insists that his pr[oposals] form a whole and must [not be] adopted piecemeal. It is [possible] that some at least of the [oppon]ents of the two-tier C[ommun]ity might be persua[ded to] swallow the idea if [it were] accompanied by strong[er insti]tutions to counter any [centri]fugal effects. But they w[ill] want a thorough exa[mination] of all the pitfalls that c[ould be] involved.

# MEN AND MATTERS

## Protecting I o M Steam Packet

Is the Isle of Man Government becoming interventionist now? It has just doubled an equity stake in the Isle of Man Steam Packet Company, whose ships link island and mainland. The company has been told that the Manx authorities have acquired more stock (bringing the total to 13.58 per cent.) in order to guard against "takeover by any possible outside source."

But further buying seems unlikely and the arrangement is quite amicable, says Sydney Shimmin, general manager of the company which despite its prosaic trade has had a few exciting investment moments. There is no breath of a bid at the moment, but Shimmin recalls well the days in early 1954 when Michael Jay, a Lloyd's underwriter, made a £1.8m. offer.

Jay saw potential for the development of hotel facilities on the Isle of Man as well as improvements in the shipping service itself. As takeover attempts go, it created quite a lot of fuss, the outsider finally withdrawing rather than provoke a battle for control.

Some three years ago, apprehension began to be felt again when it was realised a London nominee company had bought about 7 per cent. of the equity. Holding less than ten per cent., the buyer did not have to declare himself, but the publication of a high yield unit trust portfolio eventually disclosed the investor to be none other than the house of Slater Walker. Those were the days, of course, when any sort of Slater stake brought pride and worry in more or less equal amounts, and Isle of Man Steam Packet nervously sought to discover whether anything other than a straight investment was intended. They were told no, and the Slater trust hung on while the shares drifted quietly between about 110p and the present 130p.

Another nominee also bought up some 7 per cent., the work of the Isle of Man Government which, as had happened in 1954, began to take a protective interest. Slater Walker has now sold out, the Government snapping up the available stock.

As for the rest of the 2,000 stockholders, over half live on the island. Those on the mainland are often sons and daughters of Manx people and so they didn't feel left out of things. In past years the company provided free tickets between Liverpool and Douglas for anyone wishing to attend the annual meeting.

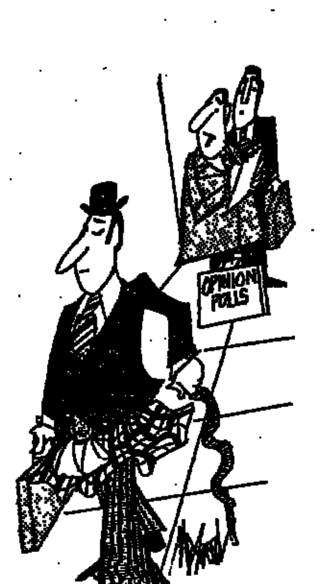
Unlike the Isles of Scilly Steamship Company, whose woes I reported in November, the Isle of Man group reports no problems about financing new ships: another goes into service soon to bring the fleet to nine vessels. Profits in 1974 dipped sharply, but Shimmin reports that 1975 was "one of the best seasons" the Isle of Man has ever had.

## Thumbs down

Turning to the activities of central Government, it is noticeable how its advertising campaigns have been getting quite adventurous lately (union leaders and businessmen talking sweet reason on inflation across opposite newspaper pages, and so on), but the proposed package to hold price rises on certain items to 5 per cent. for the six months after February 1 is proving tricky.

The basic idea is to persuade the unions that Government is keeping its end of the bargain negotiated last summer. The first idea the publicists came up with was that the campaign should feature a thumbprint, signifying prices well under control, with a slogan on the lines of "You are doing your bit, we are doing ours."

I gather though that someone reckoned thumbprints, under the thumb, and all that, might look distinctly like oppression. So now work proceeds on a new symbol—a red triangular halt sign for the three-sided accord between Government, unions and management. But does 5 per cent. constitute your idea of a halt?




"Another one undecided about devolution!"

## Murray moves

After claiming Leslie Murphy, deputy chairman of Schroder Wagg, to be its own full-time deputy chairman, the National Enterprise Board (berated at the week-end by Tory MP Neville Trotter for spending £480,000 a year on its HQ rent) has begun reaching into other parts of the City for executives who will eventually be among a staff of 150.

The latest recruit is 44-year-old John Murray, who for the last three years has been investment director at Williams and Glyn's Bank. His practical business experience has been in finance and retailing, starting with the mutually minded John Lewis Partnership. From there, Murray went to Sir Charles Clore's Lewis (no connection with John Lewis) group of stores, which includes Selfridges, and then to the Charterhouse Japhet merchant bank before W and G.

The switch to the practical followed five years on the Financial Times Lex column. Another ex-Lex, John Gardiner, now an NEB director, helped persuade him towards his new job. Recalling journalism, Murray declares: "The risk of telling people what they should do is that eventually your bluff will be called."

## What else?

A reporter for the *Sunday Nation* of Singapore has been seeing from a Devonshire viewpoint how old England's doing. I must explain that "P.P." is (naturally) an army colonel who recalled that his ambition after commanding a cavalry regiment had been to retire to the West Country and devote himself to field sports.

"The fact," the article went on, "that these are now threatened by 'those damned socialists' was a talking point of some considerable passion when I embriated the New Year with P.P. and his wife over a peasant, well hung, and several glasses of port."

***Observer***

FINANCIAL TIMES SURVEY

Monday January 12 1976

# Saudi Arabia

The smooth transition after the assassination of King Feisal last March showed the political stability of the country and its regime. Now it must face the consequence of trying to spend $142bn. over the coming five years.

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## .imits to the ower f oil

Richard Johns

THE Ministerial and official s of Saudi Arabia these days as become almost standard tice to hang a kind of trip- of Royal portraits. The components vary between uple of formulas: the late Feisal, the present King ed, and Crown Prince Fahd King Abdel-Aziz ibn Saud, der of the Monarchy, the King Feisal and King ed.

e custom shows a concern nphasise the continuity of y and solidarity of the g House following the sination of King Feisal March. It could also be as a means of strengthen- he image of—as well as nstrating loyalty to—King ed who, as Crown Prince, relatively anonymous and much over-shadowed by alf-brother Feisal's colus-

wever, that months after shocking event the most ally objective observer wonder why the reassur- of multiple portraiture is sary. The assassin, it will ecalled, was an obscure unbalanced young man— f 4,000 or so princes of blood....

Saudi Arabia, still very much a fiefdom of an ever-proliferating Royal Family, has smoothly weathered what many of the Kingdom's best friends feared could be a serious shock to its stability, with potentially serious implications to the West. In such a situation even the most casual student of Arab history would search for divisions in the power elite.

In the event the affair showed the cohesion of House of Saud, a unique regime whose strength lies in its large numbers, its widespread tribal affiliations through marriage and a collective self-interest in self-preservation. Even a superficial knowledge of the extent of its ramifications, its control of key positions within the kingdom, should have allayed the more alarmist fears felt abroad when King Feisal was killed.

It can be said with certainty that among ordinary Saudi Arabs there was gratitude that the transition was so smooth. The number with a vested interest in the existing order and the opportunities presented by the flood of oil revenues which has descended on the kingdom is greater than ever. The conformity to tradition of many young Saudi commoners who, like the assassin, received their education abroad, never ceases to amaze.

What made the assassination the most dramatic since President Kennedy's was the change in the Kingdom's circumstances brought about by the October war of 1973 and the energy crisis. Its importance as the oil producer holding a quarter of the non-Communist world and the largest exporter within OPEC was, of course, abundantly clear before then. Since the escalation of petroleum prices, Saudi Arabia has become of critical significance to the West because of its power to affect the supply and price of the commodity through its ability and willingness to produce at a rate far higher than its present financial needs call for.

From the start of King Khaled's reign continuity of policy was emphasised. As was assumed and widely predicted, King Khaled—a bluff country squire type of a sheikh with his love of hawks and horses—has appeared to be very much of a figurehead. Direction of the Kingdom's affairs at home and abroad has come from Crown Prince Fahd the First Deputy Premier, sixth son of the great King Abdel-Aziz, and undoubtedly strong man of the regime

It is rash for an outsider, especially a foreigner, to speculate on the obscure decision and consensus-making process within the secretive Royal Family. Yet, surely, quite apart from his commanding personality, the Crown Prince's position is fortified by the presence within the administration of five full brothers who hold the posts of Minister of Defence, Minister of the Interior, Deputy Minister of the Interior, the Governor of Riyadh and the Vice-Governor of Mecca.

Moreover, whatever the circumstances, his rise to even greater prominence was well-timed in so far as he is very much the father of the ambitious—even visionary—Second Five-Year Development Plan upon which the Kingdom formally embarked in July of this year. His commitment to the fulfilment of its objectives and maximum absorption of revenues domestically is well known.

As an undoubted "progressive" in the ruling hierarchy, he must be the best equipped leader to meet and quieten the criticism of some educated young Saudis that the late King, after a promising beginning, was moving far too slowly. Increasingly, the complaint may be that in terms of economic development he is trying to progress too fast.

While continuity has remained the principle, a new and expanded Government was appointed in October. The old Central Planning Organisation was upgraded to a Ministry and other departments were divided to create new Ministries of Industry, Higher Education, Public Works and Housing and others. A number of new technocratic faces appeared in a reorganisation clearly aimed at increasing the administration's ability to implement the Plan.

Only closer analysis indicates that they have been more or less complemented by more traditional figures — perhaps illustrating the pressures upon Crown Prince Fahd, if it were not his inclination anyway, to keep a balance.

The burden placed upon the Government is a dauntingly heavy one, especially so soon after the death of King Feisal whose reluctance to delegate was proverbial. In general, while its capacity to make decisions has increased under the pressure, administrative shortcomings remain a formidable constraint to the implementation of the Plan. The enormity of the $142bn. expenditure target can be seen from the fact that Iran with a population five times as great set a target of only $80bn. although its infrastructure and administration are far better but was forced to recognise last summer that completion of some targets would have to be delayed. Already after only six months of its formal existence and sooner than had been anticipated, the Saudi Plan has run up against severe problems of port congestion and the shortage of manpower.

With the infusion into an under-developed economy of far more money than it can absorb, inflation is soaring and the dislocations seem to grow by the day. In the somewhat frenzied atmosphere many Saudis are now asking for a slowdown and the Government, it seems, will have to decide sooner or later upon a system of priorities—not the least concentration upon building accommodation for the manpower which will have to be imported to fulfil the Plan's targets.

In the current financial year 1975-76 the Saudi Government may be lucky to disburse much more than a third of the SR104.69bn. ($29.65bn.) budget slated for domestic expenditure. The notion of all revenue being spent is an ideal rather than a wildly optimistic assumption. As such it reflects a total dedication to development and the maximum exploitation of what is—notwithstanding, the Kingdom's vast reserves—a wasting asset.

Yet the policy involves other issues than prising open bottlenecks and grappling with constraints. First, exertions towards attaining the ideal of maximum absorption in such a short period could strain the political and social fabric of the Kingdom to the limit. The potential conflict with the principle of the Plan that Islamic values should be maintained has often been pointed out. Saudi authorities have replied that there is no contradiction between religion and free education, social welfare and higher living standards. But on the face of it a traditional way of life is being affected by the money-mad frenzy sweeping the country.

Secondly, the estimated need to import 500,000 people to carry out the Plan's projects must have a profound impact in social terms even if they do not affect Saudi Arabia demographically much in the longer-term—though the Kingdom will be indefinitely dependent on foreign expertise, skills and labour. Immediately, the lack of accommodation to house them is a serious obstacle to the Plan's implementation. Even if only half the designated number are secured, they may deliver, at the very least, something of a cultural shock to a population estimated at only 6.2m., up to 30 per cent. of which may not be of Saudi origin.

However, the ideal of total absorption may be politically and psychologically necessary to justify an oil production that has run at a level well above fiscal requirements. Continuity has been the rule in pricing policy, with Saudi Arabia at the OPEC meeting last September endeavouring with some success to limit the inevitable rise. The Kingdom has refused to join other producers in a production programme and—within the limit of the present production ceiling—has responded to demand on the market. In doing so it has accumulated a financial surplus of a size far greater than it wants or needs.

It has continued with a policy designed to meet the needs of consumers and help guarantee the health of the economies of the Western industrialised countries. There is also a large measure of self-interest in the strategy. As Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, put it in one interview last year, "In short, we know that if your economy falls we fall with you."

Within the Kingdom, however, it is hard to measure the conservationist pressures which are known to exist. Willingness to produce at a rate satisfying the consuming countries and stabilising the price of oil may increasingly depend on Saudi Arabia's capacity to absorb revenues. This, in turn, places a large responsibility on the industrialised countries to give the Kingdom, at governmental level, the technical assistance with its development programme which it is seeking.

In this context most problematic of all is the Middle East conflict. Even if there is less of King Feisal's obsession with Zionism as such and insistence on its intimate relationship with Communism, the Saudi Government is equally insistent about the recovery of all the Arab lands occupied in 1967. King Khaled went through the ritual of calling for a Holy War for the liberation of the Al Aqsa Mosque during the recent Pilgrimage.

Aware of the economic consequences to the world of the use of the Arab oil weapon in 1973, Saudi Arabia—the main weight behind it—would only unsheathe it again with reluctance. Yet, in the event of a war, the virtual certainty that it would make the Kingdom a very vital part of the Middle East equation and one that makes a satisfactory settlement even more imperative.

**Such has been the explosive growth of Saudi Arabia's oil revenues that the economy is having severe problems in coping with the embarrassment of wealth. Efforts to absorb or disperse the surpluses are handicapped by limitations of infrastructure.**

# The pressures of wealth

IN RETROSPECT it is extraordinary, but relevant, to recall that five years ago the Saudi Government was actually short of revenue to the extent that it felt unable to budget fully in 1970-71 for its £50m. share of the annual "Khartoum grant" to the Arab States defeated in the June War of 1967. The momentum of development had been set back by the conflict and the closure of the Suez Canal. In 1969 the State had had to borrow $150m. from Aramco, its oil concessionnaire—and further fall in the growth rate to below the 9.5 per cent. achieved in that year was predicted.

At the end of 1970 the Financial Times reported, "In Riyadh there is no false optimism about the country being able to achieve easily the targets laid down in the plan." It aimed to increase Gross Domestic Product at the rate of 9.8 per cent. annually and projected total Government spending SR41.3bn., then the equivalent of $9.18bn. Apart from administrative deficiencies and shortage of manpower, the Central Plan Organisation was worried about the level of military spending.

## Historic

A few weeks later the historic negotiations on oil prices between the Organisation of Petroleum Exporting Countries and the companies began. This was the critical turning point which radically transformed the prospects of the oil producing States—not the least Saudi Arabia.

The Kingdom's average per barrel receipts rose from less than one dollar in 1970 to over $10 at the beginning of 1975. In the same five-year period the volume of Saudi production went up by 131 per cent. The result was the petroleum revenue increase from SR5.19bn. in 1969-70, when it was 87 per cent. of the total, to something like SR100bn. ($28bn.) in 1974-75 fiscal year when its share in budget estimates was 96 per cent.

In macro-economic terms the result has been dramatic. In the 1970-73 period, before the really dramatic escalation in the cost of oil, GDP at current prices was calculated to have leapt from SR17.14bn. to SR39.95bn. Subsequently, it is estimated to have shot up to SR95.02bn. in 1973-74 and SR148.71bn. in 1974-75. In current terms per capita income rose from SR3,185 in 1969-70 to SR23,980 in 1974-75—about seven and a half times.

For Saudi Arabia, calculating real growth presents a problem because deflating the current price series across the board would minimise the contribution of petroleum—most of which is exported and, therefore, has increased actual purchasing power. With an adjustment for "terms of trade effect" Saudi Arabia's planners have calculated that national income would have grown at an average rate of 44.8 per cent. annually during the First Five-Year Plan period.

Inevitably, the oil sector (including refined products and gas) was responsible for the greater part of this increase. Its contribution to GDP rose from 53.7 per cent. to 86.5 per cent. Nevertheless, non-petroleum GDP was estimated to have grown by nearly 10 per cent. annually from 1971 to 1973, with a further 14.7 per cent. and 15.6 per cent. estimated respectively for 1973-74 and 1974-75. The economic activity generated by government spending of oil revenues was reflected in a yearly growth rate of 12.3 per cent. in the non-petroleum private sector—almost half as fast again as the public sector.

Expansion was especially rapid for construction which, in constant terms, was reckoned to have recorded a 133.6 per cent. increase over the full five years raising its share of non-petroleum GDP from 16.2 per cent. to 25.7 per cent. In response to its needs the small sector of mining and quarrying recorded a 158.9 per cent. rise. On the infrastructure side, the transport, communications and storage sector forged ahead with 101.9 per cent., taking its proportion of non-petroleum GDP from 15.6 per cent. to 18.2 per cent. Manufacturing industry grew by an encouraging 158.9 per cent. over the plan period. Only for agriculture, to which the country is looking for a much greater degree of sufficiency in foodstuffs, was the performance really disappointing.

In contrast to the official fears about financial constraints expressed back in 1970, Saudi revenues were in excess of the Government's ability to spend from the very first year of the First Plan implementation. In 1970-71 a modest budgetary surplus of SR1.66bn. was registered, the equivalent then of about $370m. Inexorably, it became greater: SR3.33bn. in 1971-72, SR5.50bn. in 1972-73, and SR23.26bn. in 1973-74.

## Reserves

For the first four years revenue totalled SR74.99bn. In the same period actual spending amounted to SR41.21bn. including SR2.46bn. on foreign aid, leaving a cumulative surplus during the period of SR33.77bn. Effectively, most of the excess was transferred to the State's gold and foreign exchange reserves which—as recorded by the IMF—increased from $662m. in mid-1970 to $7.08bn. in mid-1974.

Even before the exponential growth in the Kingdom's oil revenues from the start of 1974 onwards actual expenditure performance illustrated the limitations to Saudi Arabia's absorptive capacity.

In the four years prior to fiscal 1974-75 the total outlay on current and development budget programmes was SR38.75bn. compared with the target for all those years of SR49.4bn. Current expenditure was almost as projected, with actual disbursements of SR20.6bn. covering 94 per cent. of allocations. Cumulative development spending at SR.19.19bn. was only 70 per cent. of the target.

In 1973-74 there was a marked 75 per cent. rise in overall expenditure but, even though it was only in the last third of the year that the full impact of the big oil price increases were felt, it only covered 42 per cent. of revenue. As it was, the rapid acceleration of Government spending was such as to strain the economy severely—intensifying the shortage of labour, accentuating the infra-structure bottlenecks and causing rapid inflation.

**BASIC STATISTICS**

| | |
|---|---|
| AREA: | 927,000 sq. miles |
| POPULATION: | 6.2m. (est.) |
| GDP (1975): | SR148.7bn. |
| GDP per capita: | SR23,980 |
| Currency: | £1 = 7.05 Saudi Riyals |
| TRADE (1974): | |
| Imports: | SR13.05bn. |
| Exports: | SR126.6bn. |
| Imports from U.K.: | £119.7m. |
| Exports to U.K.: | £1.18bn. |
| TRADE (1975): | |
| Imports (to June): | SR9.25bn. |
| Exports (to June): | SR48.77bn. |
| Imports from U.K. (to Nov.): | £179.2m. |
| Exports to U.K. (to Nov.): | £802.9m. |

Final revenue and expenditure figures are not yet available for 1974-75, the Saudi fiscal year 1394-5 (which began on July 19 1974 and ended on July 8 1975—the Hijri year is 10 days shorter that the Gregorian). However, according to preliminary estimates, revenue was SR.101.37bn. (about $28.8bn.) compared with the originally projected SR.98.24bn., of which SR.94.24bn. was expected to come from petroleum. Over the year oil output was probably less than had been anticipated, but there were the price increments in the latter part of 1974, and in addition, in the early part of 1975, a backlog of delayed revenue payments in respect of the 60 per cent. participation in Aramco taken by the Government.

Expenditure was calculated at SR.45bn. for 1974-5. At an estimated SR.8.78bn. ($2.5bn.) aid disbursements exceeded the SR.3.99bn. in the budget—both figures included the SR.3.01bn. capital of the Saudi Arabian Development Fund. Total general expenditure both current and developmental, amounted to SR.30.25bn. In addition, there were transfers of SR.3.17bn. to the Public Investment Fund (responsible for the capital outlays of Petromin, for instance) and the Real Estate Development Fund. The fiscal surplus would have been almost SR.60bn., with the state having spent only about one-third of its revenues internally.

While there has been a limit to the amount which the Government has been able to spend at home, the flood of oil revenue has enabled it to take higher world prices in its stride and import all that it could—until import congestion seriously began to throttle the flow this year. In current value terms Saudi imports (cif) rose four-fold from SR4.01bn. in 1969 to SR15.28bn. ($4.03bn.) in 1974, which itself was 86 per cent. up on 1973. OECD figures for the first half of 1975 show that member countries exports to the Kingdom were running 84 per cent. higher than for the corresponding period of the previous year—or $2.10bn. over the six-month period compared with $1.14bn. in 1974.

In 1974 the value of Saudi imports was only an eighth of the value of oil exports. Pilgrim spending has given a surplus under the heading of transport and travel. In addition, on the credit side there has been the income from the State investments handled by the Saudi Arabian Monetary Agency, which passed SR1bn. in 1974. Against this there has been the net outflow of private investment income — largely on account of Aramco — which reached SR41.02bn. in 1974—and the remittances of expatriate workers, particularly, Yemenis who this year may have sent home over SR3bn.

On current account Saudi Arabia's balance of payments, which showed a deficit of some $120m. in 1969, has taken off into seemingly self-sustained flight of ever-accumulating surplus: from SR.283bn. ($63m.) in 1970 to SR.4bn. ($965m.) in 1971, to SR.5.82bn. ($1.41bn.) in 1972, SR.7.89bn. ($2.3bn.) in 1973 and SR.78.34bn. ($22.06bn.) in 1974.

## Dramatic

The dramatic change brought about in the first half of the decade by Saudi Arabia's emergence as the world's leading oil exporter and the escalation of petroleum prices is expressed most simply by its holdings of gold and foreign exchange reserves. As recorded by the IMF, these multiplied from $626m. at the end of 1972 to $14.28bn. at the end of 1974. By September of last year they had reached $21.09bn., which put the Kingdom second in the world — well ahead of the U.S. which it passed last February, and not far behind W Germany.

Between March, when stood at $19.01bn. September there was apparent slow-down, but may in part be explained shift in longer-term assets w do not meet the IMF's defin of international liquidity.

The Kingdom has, of co no interest in accumulating pluses for the sake of surpl It has been prepared to su oil production at a rate above its financial need maintain supplies to consu to stabilise the price an contribute to the health of tern economies. In return looking to the industri countries for maximum a ance in its development sc it can absorb revenues in thing like their totality- the margin being spent or But with the Second Five development plan only months old it has become just how hard it will achieve that objective.

**Richard J**

**Overheating of the economy has produced inflation as severe as anywhere in the rest of the world. Much hope is pinned on the current Five-Year Plan, but here again the fulfilment of its ambitious goals will be no easy task.**

# Problems of disposal

DESPITE ITS intentions and rampant inflation in the world at large, the Saudi State has been able to spend only the lesser part of its oil revenues domestically — and declining proportion at that. Even so, the greatly increased volume of money which it has poured out over the past two years and a-half has stretched severely the sinews of the economy. The Kingdom's infrastructure is buckling at the joints under the pressure of the feverish boom induced by the Government's expenditure programme.

At its worst the strain is manifested by the hundreds of vessels waiting outside Jeddah and Dammam ports to dock. At night the lights of the ships off Jeddah stretching for five miles are so thickly clustered that they make the flotilla look like an off-shore town. Following last year's cut in fares Saudia's flights are booked solid to the extent that—during the recent Pilgrimage season—even passengers with boarding cards were refused seats.

With the exception of the new Intercontinental in Riyadh all the hotels in the capital and Jeddah have been known to refuse confirmed reservations as many luckless foreign businessmen have learnt to their cost. Frequently they are asked to share rooms and—considering the facilities—are grossly overcharged. One second-class establishment in Jeddah has been able to demand and receive SR250 (nearly £36) a night for a share of a room.

While the international businessmen flock to the Kingdom in search of business opportunities, Saudi merchants and entrepreneurs are almost as energetic in seeking foreign partners. It is the Government's policy to encourage maximum participation by the private sector in the Second Five-Year Plan and its readiness to invest in industrial projects has been very encouraging. The developmental blueprint also stresses the need to maintain Islamic values. Already, however, the flush of oil revenue has unleashed a frenzy for profits that begins to look like greed, especially among rack-renting landlords.

## Faith

In Saudi Arabia the belief that oil revenues, after provision for aid, can be totally absorbed is almost an article of faith. Politically, the commitment to maximum expenditure and growth could be seen as a necessary one to justify a level of oil production which has been running in recent years at a rate gauged to meet the requirements of the consuming countries rather than the Kingdom's financial needs. More fundamentally, the Government has good reason to capitalise on its new wealth to concentrate as rapidly as possible the process of developing what is a backward and—in human terms—a very poor country.

Given the country's rudimentary infrastructure and the narrow base of its economy outside the oil sector, the challenge which the Government has set itself is an enormous one. The $142bn. programme embarked upon compares with an expenditure target of less than half planned by Iran for the 1973-78 period. With its much greater population, far better infrastructure and more developed institutions, this fellow oil producer was forced to recognise last summer that it would be forced to scale-down its aspirations as far as project implementation was concerned for reasons other than financial ones.

## Acute

Despite the official conviction, Saudi Arabia's $142bn. goal must surely be seen as notional even if inflation eats up far more than the 10 per cent. per annum factor built into the plan's projections. The Government may be forced to recognise that a maximum level of revenue disbursement well below the ones laid down may create economic problems and social dislocations which the administration cannot cope with. Over a year ago, well before the formal start of the second Five-Year Plan's implementation (July 9, 1975), the Kingdom was suffering from the symptoms of over-heating experienced by Iran—rapid inflation, a desperate shortage of manpower and severe infrastructure constraints. They have now become acute.

In Saudi Arabia, as in the other under-developed and under-populated oil producing states, Government spending generates the greater part of economic activity. Over the past two years the sudden acceleration of its disbursements has been responsible for the dramatic increase in money supply. About 25-30 per cent. of the State's financial outlay in the past few years has been used to purchase goods and services. Another 15-20 per cent. would have found its way through the private sector to pay for imports. The remainder has been pumped into the economy resulting in a big expansion in money supply.

It rose by 39 per cent. in 1973 and 41 per cent. in 1974 to reach SR7.48bn. The first four months of 1975 witnessed a further acceleration to SR8.87bn.—up 50 per cent. over a 12-month period. During the same period there was a corresponding surge in outstanding bank credit which expanded 30 per cent. in 1973 and then by 107 per cent. in 1974 to reach SR4.89bn. Up to the end of April there was a further marginal advance to SR5.08bn.—up 78 per cent. on the same point of the previous year.

Rapid increase in money supply—in itself mainly caused by the accelerated flow of State expenditure—was the main reason for the high rates of inflation experienced in Saudi Arabia over the past two years. Unlike Iran, Saudi Arabia has not tried to place all the blame on import costs. No official or reliable index exists to measure the rise in prices in the Kingdom as a whole. In 1973 most informed and intelligent observers put it at 20 per cent. In 1974 and 1975 they have calculated inflation at anything from 28 to 40 per cent.

It has all been a predictable, classic tale of too much money chasing too few goods. Official policy has been to curb inflation "as far as is feasible" in the words of the Second Plan, which may be seen as an implicit recognition of the fact that price stability and maximum disbursement of revenue cannot be compatible with such an infusion of cash into an under-developed economy. Accepting the inevitable results as the price of growth, the Government has devoted its attention to mitigating the effects.

Early last year it awarded public employees salary and wage increments of an average of 30 per cent. for the lowest paid, 15-28 per cent. for the medium-to-higher cadres. Another increase of 12 per cent. followed last November. In 1974 there were various measures aimed at doing away with the State-imposed accretions to the cost-of-living. The Government abolished the road tax and the excise on petroleum products. Customs tariffs were reduced and the import surcharge introduced some years earlier eliminated. Electricity charges were reduced through subsidies.

The list of subsidised goods (flour, rice and sugar) was extended to include imported lamb carcases, milk, milk products, vegetable oils, and medicines—costing the state some SR800m. in 1974-75. Equally important the Government took its first steps to combat the rising cost of rents and housing which has become the most acute social problem to-day in Saudi Arabia and one of the most serious economic ones as well.

In July 1974 it established the Real Estate Development Fund with an initial capital of SR250m. to finance up to 70 per cent. of houses constructed for personal use and 50 per cent. of those built for investment. Under a subsequent measure, the former category qualified for a 20 per cent. rebate on building costs. Administered through branches of the three commercial banks, the processing of loans is now under way, but its establishment came too late to ease in any way the housing crisis which the country is now undergoing.

The shortage of accommodation has led to an escalation in rents and prices that has badly hit Saudis who were unfortunate enough not to be sitting tenants or owners before and expatriates who have come to Saudi Arabia on contract lured by a seemingly fat salary only to find that the greater part is consumed by housing costs. On the expiry of leases, landlords have been doubling or tripling rents and demanding up to three years' payment in advance on the better properties—meaning that they can more than cover the costs of construction at one fell swoop.

Having limited rent increases to 5 per cent. for 1975, the Government froze them subsequently and has since given security of tenure to tenants, except where the landlord needs the property for the use of his family. Under this pretext and other unscrupulous pressures rentiers have succeeded in clearing premises. As yet the authorities have still to find a solution to the problem that highlights the dilemmas of rapid development for Saudi Arabia. Only a massive increase in availability of accommodation can solve this part problem as the Governm well aware.

The surprising thing is t did not give this sector priority—before the plan mentation—when the fulfi of targets presupposed an of foreign manpower of 500,000 over the five-year p While several minor financed schemes have vanced, the main one fo construction of 100,000 ho units has not, although te were invited a year ago.

The orginal scheme, appears to have been hazily conceived, has unde changes since then and r details were still awaite fore the two-week halt t cial life last month—an ex. of the major constraint by the slow and sometime fused decision-making pro of the administration. Alt the World Bank has been to help evaluate bids now sought from a number of able candidates, it is un that the contracts wil awarded before the spring

Construction of new a modation requires imported manpower whic to be accommodated. It vicious circles and an tionary one as well. Con tion costs have more doubled over the past largely because of the l shortage and also—to a l extent—because of the so price of building materials latter has been bas caused and compounded b general pace of develop and port congestion, the infrastructure bottleneck, the different constraints acting upon each adversely.

## Assistance

In this situation the S Government has increas looked to foreign contracto import and house manp It also has high hopes from assistance in implementati important projects that ca gained from inter-governm agreements such as the one cluded with Britain in Oct With reference to this ac and more particularly the with the U.S., Dr. Mar Turki, Deputy Minister Finance and Economy, "We are expecting a lot these countries. It is not a or for our prestige."

The industrialised coun have every reason to give al assistance that they can. Turki is confident that by end of the financial year Kingdom's published res will be down on the level o previous year. The modes crease recorded in the sum suggest that it is succeedi spending more of its reve than most observers tho possible.

Yet the dislocations are that foreign contractors, parently, are holding back bidding—an exercise whic becoming extremely hazar in the existing situation. Government is understood already taking a "hard look priorities. As one Saudi of said, "people are looking slowdown — but please quote me."

**Richard Jo**

The Saudi characteristics of expansiveness and hardheadedness are well mirrored in the Second Five-Year Plan. A complete and rapid development transformation is for the first time possible with no financial constraints. But resources from the whole world will be needed.

# Boom and bottlenecks

IS anticipated that actual enditures, for a variety of ons, will fall short of appro-tions. The development s of individual ministries agencies are not beyond ac-plishment but, in combina- they present a formidable Bottlenecks and other lems may be expected from to time and the achieve-t of many targets may re-e extra time" *Development* 1395-1400 (1975-80).

he second development plan accurately mirrors the mix- of expansiveness and hard-ledness which, as any visitor audi Arabia knows, charac-es the Kingdom.

he expansiveness derives the country's unique posi- in which immense oil re-es accruing to a large terri-l state make it possible for first time in history for it lan a complete and rapid lopment transformation no financial constraints. required appropriations of £63.8bn. (1974-75 prices), times greater than those of first plan, can, it is confi-ly predicted, be raised from oue from oil, foreign invest- and taxes on foreign econ-activity in Saudi Arabia, *accepting "significant in-n in costs" and still leave nsiderable reserve balance.* scale of financial operation is not easy to comprehend nalogy may help: the sum e appropriations over the years is about 30 times the al fixed capital expenditure itish manufacturing indus-

rt of the expansive large- nature of operation is a t of the nature and location esources, and established n activities. Thus 23 per of total expenditure 3bn.) is allocated to the opment of physical infras-re and of this SR14bn. finance road construction. vercoming of the disutility e great empty distances which separate demand and supply, whether of food, fuel or labour, remains a highly expensive business—during the first plan actual expenditure on roads was 60 per cent. higher than planned and the cost per kilometre twice as high. Another SR6bn. will be required further to develop seaports through which a projected 13m. tons of general cargo essential to development will flow by 1980. Jeddah, Yenbo and Jizzan on the Red Sea and Damman and Jubail on the Gulf are almost literally the plan's bottlenecks, and whatever other calls are made require absolute priority. During 1975 it was rare for dry cargo ship waiting time at any port to be less than six weeks and the reopening of the Suez Canal merely extended port congestion northward into the Mediterranean; since virtually all non-Saudi Gulf ports were in the same plight, little external relief could be obtained.

## Trucking

One response which has already occurred and which is certain to develop further has been overland freight trucking from Europe, but this merely accentuates the need for trunk road building, a need which will be strengthened by the distribution of seaborne imports. All in all, freight-carrying communication facilities have to be developed at least on the scale envisaged, and one danger lies in the fact that it may not physically be possible to carry out construction as fast as required.

Civil aviation can only contribute a functionally restricted transport service, but such is the need that a Civil Aviation Department project budget of SR12.5bn. is required in addition to the SR1bn. allocation to Saudia, the national airline. Already there are almost 1m. domestic passenger departures from the 20 existing airports, and air travel is the only feasible way of efficiently linking the capital Riyadh with, for example, Jizzan over 800 km. to the south west and with Badanah on the Iraqi border.

The essential improvements to the movement of people and goods by road, rail, sea and air within Saudi Arabia will require over SR36bn. (over £4.6bn.), this in great part a function of a population which may be only one-tenth that of Britain inhabiting a country ten times larger than Britain.

The resources available for diversified economic development are themselves partly responsible for the vastness of predicted expenditure. The location and grade of water resources are of critical importance in this context. Cultivation in Saudi Arabia is effectively confined to the hundreds of widely dispersed small and medium sized areas in which reasonable soil and accessible groundwater are found together, and irrigation now makes up some 75 per cent. of the demand for water. Growing urban and industrial demand in some regions, for example in most of the Western Province, cannot significantly be supplied from local resources, while in the hitherto water-rich Eastern province, which also has all the oil and gas wealth, the scale of industrial demand is accelerating fast. Oil-well injection will take one-quarter of required supplies by 1980, and the greenfield Jubail industrial site will demand as much as Mecca by the same date. The control aspect of the plan envisages increased agricultural use of water only when "it has been established that such increased use is in the public interest over the long term" and the limitation of industrial growth to locations near the sea where capital and relatively cheap energy is to be massively deployed in desalination.

The seawater desalination programme scheduled for completion or at least commencement during the next five years is staggering — an additional output capacity of some 314,000 cubic metres a day. The cost of this programme almost SR25bn. will make up 74 per cent. of the total water-resources allocation. This is the inescapable requirement for industrial and urban development in an arid country.

Industrial development itself is to be based on high inputs of energy. Non-oil minerals are increasingly being exploited, and the exploration surveys proceed apace, but for the foreseeable future not only will oil provide the revenue for industrialisation but also, together with natural gas, the energy for all and the raw materials for most future developments. Saudi Arabia possesses the hydrocarbon reserves to support this for many decades, and there is the attractive prospect of the country being uniquely situated —in terms of capital and resource availability at least, for advanced technological development in some fields. Already consideration is being given to joint-venture research and development work in solar energy and protein production from hydrocarbons; many other possibilities exist.

There is another aspect to the expansiveness of the programme which is rooted in the social, even religious values which permeate Saudi Arabia. It is no accident that the first of the fundamental principles enunciated as guiding Saudi Arabia's development is to "maintain the religious and moral values of Islam," nor is it strange that Minister Hishim Mohiddin Nazer's letter submitting the second plan to His Majesty King Khaled Ibn Abdul Aziz should commence "In the name of God the merciful and compassionate." Saudi Arabia is not a secular state or society; it is still true, as in many Islamic countries, that it is naturally good, not merely politic, to give, and it is not demeaning to ask for and to receive. Social welfare in these terms is not born of a mechanistic egalitarianism or of a political philosophy of an omniscient state government. The provision, therefore, of what is termed "a dignified minimum standard of living" can lead to proposals which are financially, socially and functionally not wholly compatible with each other in terms purely of economic development.

Subsidies have become an integral part of socio-economic policy, ranging from input and output payments to farmers and subsidies on imported foodstuffs, through cheap and sometimes even free housing, to protection offered to Saudi builders against rising costs of materials. Social insurance and pension payments continue to rise, and free health and education services are being expanded as fast as physical facilities can be constructed. Saudi Arabia has now become a high consumption society in which the aim would seem to be to supply free or at nominal prices all basic human needs, leaving a high level of disposable income for what most of the world's inhabitants would regard as luxuries. At the same time emphasis is laid on the need for individuals and groups productively to grasp the opportunities presented in a free enterprise society.

## Trading

In a high consumption society, in which there has existed for millennia a strong trading tradition, this can raise problems. Mercantile profits are larger and more assured than those which may be derived from commercial agriculture or manufacturing industry. The opportunities for advancement, given the obvious demand for private and public sector, high and middle level manpower, are such as to produce a relative shortage of Saudi labour at the production level in fields or factories. Moreover, a policy of protection for infant domestic enterprises can and sometimes does lead to fundamental inefficiencies, which may be difficult later to eradicate.

It is in the field of labour supply and demand that one can see most clearly both these problems and the most serious internal constraint on development. At managerial and professional levels the requirement by 1980 will be double the employment level in 1974-75. Planned development needs could absorb every trainable Saudi Arabian and still leave a serious deficiency: growth at this rate in any country can have serious consequences for quality. Educational and training programmes, already very large, are to be vastly expanded, but results come slowly and, while buildings and equipment are essentially a matter of money, who is to teach the teachers and train the trainers? The upward spiral of demand for skilled manpower is thus further accelerated—almost two-thirds of the 54,000 additional professionals needed will be teachers, over and above which over 170,000 trained civil servants, largely professionals, will also be required.

At the other end of the scale there will be immense demand growth for production and service workers and labourers, both semi-skilled and unskilled. The vocational and craft training centres planned cannot hope to supply from Saudi Arabian sources anything more than a fraction of total requirements, in construction for example, given not only absolute numerical availability but also the choices open to Saudi citizens.

Already 20 per cent. of the total labour force is imported, 80 per cent. of which is technical or skilled. The non-Saudi workforce, 140 per cent. larger by 1980, will constitute 35 per cent. of the total, over 800,000, of which a far greater proportion will be at lower income levels. The social as well as the economic consequences of this unavoidable dependence on expatriates are enormous.

Not least of these consequences will be manifest in housing. The projected upgrading of urban settlements and their facilities involves 75 new municipalities, and this alone will cost over SR53bn., excluding model communities and water projects. Between 1975 and 1980 it is planned to design and/or build over 30 new towns, more than the total number yet built in Britain. The housing programme alone will require over SR14bn. of Government funding and, even more important, makes escalating demands on the construction industry.

The plan as a whole requires an average annual rate of growth of 60 per cent. in construction volume, this on top of a very high existing base-level. Construction activity alone will take 80 per cent. of fixed capital investment and the total cost may exceed SR300bn. at 1974-75 prices. Here lies the second major bottleneck — the availability of materials and supplies, not just for building but for equipping the new houses, power-stations, hospitals, airports, etc. For some of the very large new units, available world production of specialised equipment may be not large enough to guarantee supply within the plan period, and when the present recession in the industrialised world gives way to reinvestment, the additional effects of Saudi Arabian requirements could have very serious effects on international prices. This is particularly important since Saudi Arabia's demands will not be inhibited by balance of payments problems. For many but not all of the less developed countries any deleterious effects could be offset by the planned annual increase of 10 per cent. in the allocation of funds to external assistance, while the need for anti-inflationary domestic fiscal management is well recognised in the Kingdom.

For the next five years Saudi Arabia, calling on expertise, labour and materials from the whole world, will be engaged in one of the greatest development ventures ever undertaken. The risks, apart from partial non-fulfilment, are financially negligible, the challenges superlative, the consequences — ecological, social, economic—not wholly humanly predictable. One thing is certain: Saudi Arabia will need the rest of the world as much as the world needs the oil which makes it all possible.

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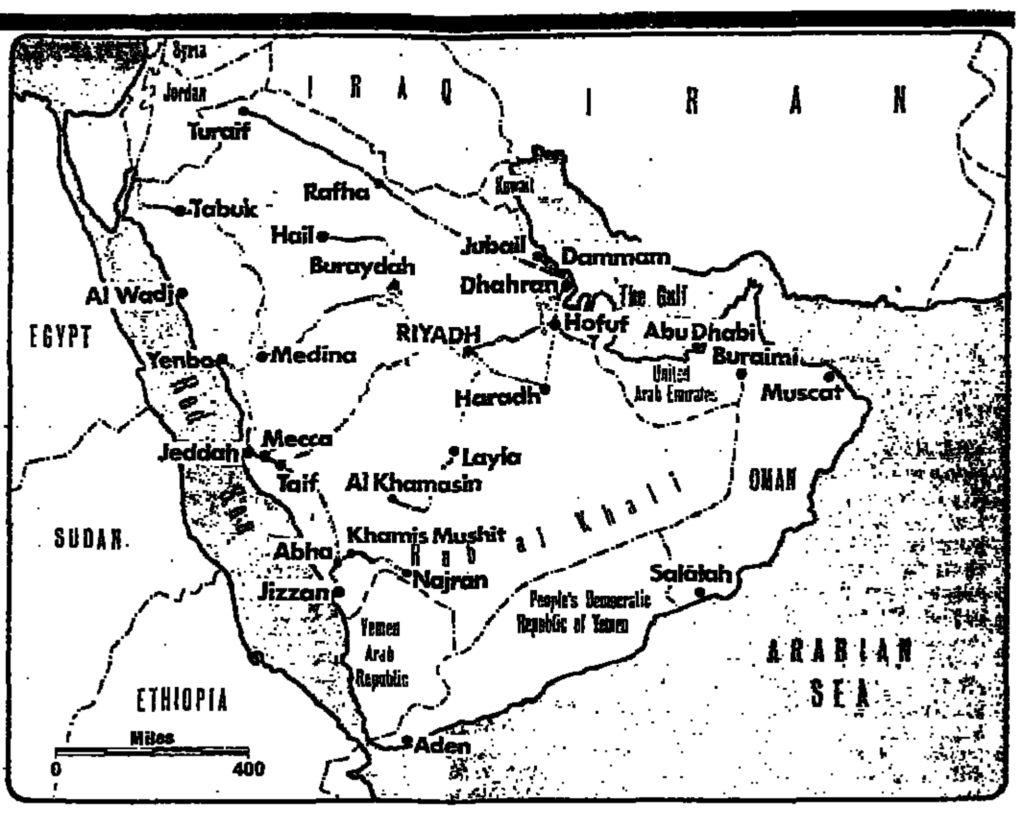


# Foreign policy

**In its foreign relations Saudi Arabia has not so far exerted much of its potential muscle. A pragmatic approach appears to be making more friends than enemies.**

THE REMARKABLE feature of Saudi foreign policy is the way it continues to be conducted in low key despite the kingdom's importance as an oil producer and as a "surplus" country. Put another way Saudi Arabia could exploit its position far more if it wished, both within the Arab world and on the international scene. However, the Saudis prefer to use their influence backstage, playing where possible a mediatory role. The only exception to this is their role within the context of OPEC, where they have not hesitated to use their weight; and to a lesser extent in their propagation of Islamic solidarity.

Since the death of King Faisal, and the appointment of the young Prince Saud as Foreign Minister, there are signs of a more active role. Relations have been improved with the Baathist regime in Iraq. Mediation efforts have been carried out both between the two Yemens and to end the Dhofar rebellion. Recognition has been given of the need for closer ties with Europe; and for the first time a few hints of a more conciliatory attitude towards the Communist countries of Eastern Europe, which still remain unrecognised. Within the conservative context of Saudi policy these are pointers for the future. Certainly these moves are a far cry from foreign policy which could once be considered as following the line of least offence.

The significance of a change in the Foreign Ministry, coupled with the disappearance of King Faisal, cannot be ignored. But the guiding principles behind policy are still the same. Policy centres round a fundamental rejection of Communism and distrust of radical regimes, a profound emotional commitment to the Arab struggle against Israel, a strong belief in Islamic solidarity, a desire to co-operate and have close ties with the West—and finally the maintenance of a special relationship with the U.S.

Now no Arab government would challenge Saudi Arabia's sovereign right to pursue these policies. But not so long ago things were very different. For instance, the nature of the regime in Saudi Arabia is virtually the same as the one the Voice of the Arabs under Nasser used to villify as the "essence of reaction." The end of the Nasser era, the burgeoning friendship with President Sadat and his shift towards the West have stopped all that. Egypt now recognises that it cannot and should not interfere in the affairs of the Arabian peninsula. Close friendship with Egypt has become over the past four years a key element in Saudi policy, and the Saudis no longer feel so vulnerable from this source.

## Forefront

Saudi Arabia has been in the Arab forefront in providing financial assistance to Egypt—bankrolling during the October war and now offering massive assistance of upwards of $1bn., for investment projects, and in military aid, loans and grants. Saudi Arabia also agreed last May, along with Kuwait and Qatar, to establish with Egypt an Arab arms industry backed by a $1.04bn. capital. This is a further move to ensure that Egypt diversifies its arms sources away from the Soviet Union—and at a more general level to ensure a greater degree of Arab independence in arms supplies.

There is a danger that relations with Egypt could become just a little too one-sided. Saudis dislike the idea of pouring money into a sieve. At present and into the foreseeable future no matter how much they supply Egypt the demand remains. But the Egyptians cannot always treat the Saudis as an easy touch and there are indications that the Saudis might want something in return. For instance, although the Saudis have no infrastructure for an arms industry, they may nevertheless insist that not everything be based in Egypt.

As it is, the Saudis appear anxious not to lean so much towards Egypt as would estrange or alienate Syria. (Traditionally the Saudis have found themselves trying to balance between the orbits of Egypt and Syria). The Sinai agreement between Egypt and Israel has presented Saudi Arabia with an awkward choice. It has not wished to desert the Egyptians or interfere with a possible peaceful solution to the Middle East conflict. Yet it is acutely aware of the Syrian and Jordan territories still occupied —to say nothing of the whole unresolved Palestinian problem. Saudi behind-the-scenes negotiating has been an important factor in preserving Egypt from serious isolation within the Arab world.

The Saudis would like to see a negotiated settlement to the Arab-Israeli conflict but equally are sceptical of the Americans and the Israelis being able to deliver. As custodians of the holiest places in Islam, the Saudis feel, at a deep emotional level, the need to liberate Jerusalem; and accordingly remain among the Arab world's harshest and most virulent critics of Israel and Zionism. King Khaled in his first Hadj as monarch called in December for a "Jihad" to liberate Jerusalem.

Given Saudi Arabia's financial muscle, combined with its significance as an oil producer, its attitude has inevitably become a major factor in any development, peaceful or bellicose, in the Arab-Israeli conflict. For instance, diplomats argue that it would be impossible for Syria to contemplate renewed fighting on the eastern front without the active diplomatic support of Saudi Arabia. Saudi Arabia itself retains a small brigade in Jordan and an armoured brigade in Syria.

Saudi Arabia was instrumental in bringing Syria and Iraq together last summer to resolve their dispute over the use of the Euphrates waters. This had been preceded by a series of careful overtures to the Iraqis which were made possible by the collapse of the Kurdish revolt and the Irano-Iraqi treaty in March. Relations have improved between the two countries to the extent that agreement was fairly quickly reached last July on a frontier demarcation of the Neutral Zone. This will now be split up on an equal basis following, where practical, a straight line.

The stabilisation of Irano-Iraqi relations and the apparent rejection by the Baathists of open support for revolution in the Gulf has made the Saudis feel much more at ease on their North-eastern flank. Baghdad has traditionally been viewed with suspicion; and it is a sign of continuing Saudi caution that a new military base is being constructed in the north-east not far from the Iraqi border (matching Tabuk in the north-west).

Despite this caution towards Iraq, Saudi Arabia does not share Iran's enthusiasm for a Gulf security pact—seen by the Iranians as a means of tying Iraq's hands and clubbing together to keep revolution out of the Gulf. The Saudis have never rejected the idea in public (they are probably too courteous to do so) but in private they maintain there is no need for such formal pacts. "Security against whom" they ask. There is probably also an element of distrust towards Iran at this level—a non-Arab country, with a population greater than all the Gulf States and a huge military machine. On the other hand the Saudis have accepted the Iranian military presence in Oman, supporting Sultan Qabous against the Dhofari rebels. The 47,000 strong Saudi armed forces are just not equipped yet for such an action, even if they wished to take it.

However, rather than see the fighting drag on, the Saudis have

CONTINUED ON NEXT PAGE

# Third World aid

**Aid to the Third World has been a pressing problem for Saudi Arabia, as for other OPEC countries. The current trend is towards a greater degree of direct investment.**

SAUDI ARABIA, like other members of OPEC, has a genuine idealistic commitment to the improvement of the lot of the Third World countries and the creation of a new international economic order.

The Kingdom has led OPEC in promoting the Conference on International Economic Co-operation (originally suggested by Saudi Arabia and France at the UN in April, 1974) which is now committed to studying the questions of aid and raw materials prices.

At the same time, in accordance with what now seems to be the established technique of both sides in the producer-consumer dialogue, the Saudis have devoted considerable diplomatic effort over the past two years to diverting towards "the other side" (from the Saudis' point of view the industrial powers) as much as possible of the aid demands of the Third World countries. This diplomatic process has had the effect of increasing the Third World's demands and expectations for aid, and of forcing the industrial countries to consider giving much larger quantities of aid than they ever contemplated before.

## Uneven

It is partly in this context of an OPEC state's philosophy geared as much to promoting greater flows of aid from other people as to providing more aid themselves that one should view the OPEC and Saudi aid programmes' current shortcomings, which include their somewhat insufficient scale, the uneven distribution of aid, the emphasis on project aid rather than on the more necessary current account aid to finance imports, and the preference for bilateral rather than multilateral aid.

Yet whatever its faults, and however devious the diplomatic manoeuvring surrounding the issue, Saudi Arabia's performance as an aid giver during the past two years has not been unimpressive.

Unlike Kuwait, which first generated a surplus and began its first aid programme in 1952, when it built the first modern school in Sharjah, Saudi Arabia had no significant surplus and no aid giving institutions before 1973. From 1967 to 1973 the only aid given by Saudi Arabia was its annual $170m. subsidy paid to Egypt and Jordan under the agreement reached at the Arab summit in Khartoum in August 1967. During this period Saudi Arabia declined to join both the Arab Fund for Economic and Social Development (AFESD), a multilateral project aid giving institution established in Kuwait, and the Inter-Arab Investment Guarantee Corporation, a multilateral Kuwait-based investment insurance operation.

Since the oil price rises, however, Saudi aid has expanded enormously. In the Muslim year to July 1974 its aid total reached $670m., and in the year to July 1975 it climbed further to $2.5bn.—though the latter figure includes $860m. as part of the initial paying up of the capital of the Saudi Development Fund, which has not yet disbursed more than a portion of the capital it has available. The 1974-75 aid figure can be compared with an expected total Saudi surplus for the Gregorian year 1975 of $18bn.

A very large part of Saudi aid has been disbursed through Government to Government loans and gifts (namely to Egypt and Syria) on an ad hoc basis, though part of the bilateral project aid programme has been institutionalised through the establishment of the Saudi Development Fund, which makes loans interest free (bar an administration charge) with an emphasis on African and on agricultural and infrastructural projects.

To date half of the Fund's authorised capital of $2.85bn. has been paid up, and some $143m. has been committed to four projects in Uganda, including cattle rearing, two projects in Egypt (cotton ginning and rehabilitation in the Suez Canal area), one project in Tunisia (sewerage), and one project in the Sudan (the Rahad irrigation scheme). There are apparently a large number of applications for loans from African countries now awaiting appraisal.

In addition to its bilateral aid programme the Kingdom has also made contributions to such multinational institutions as the IMF and World Bank recycling funds, the UN Food and Agriculture Organisations, to which it gave $50m., and various Arab or oil producer sponsored funds. These funds are: the AFESD, which Saudi Arabia joined in 1974; the Islamic Bank, a multinational project aid fund established in Jeddah; the Arab Bank for Economic Development in Africa, a small project aid fund set up by the Arab summit in Algiers in December 1973; the Arab African Oil Assistance Committee, a small current account aid giving institution; and the Organisation of Arab Petroleum Exporting Countries current aid fund for oil-less Arab states.

For all the publicity given to aid programmes, whether directed towards project current loans, the Saudis, al with the other OPEC gov ments are hoping that in fu they will be able to make m of their contribution to Th World development in the f of direct investments, wh will not only retain their v better than money committe soft loans, but may also be greater benefit to the recip country. The Government w like to be involved in triat investment schemes lin Arab money, Third World power and raw materials, Western expertise—thoug does not wish to participat management.

## Trilateral

So far the best known o trilateral schemes in v Saudi Arabia is involved ( from the Arab arms mar turing enterprise in Egy the proposed British Le Land-Rover plant in E which has not yet been the go-ahead. A further r but indirect, Saudi involv in a trilateral scheme Lonrho) has been in the m Kennana sugar project i Sudan, which the Arabia vestment Company ( Saudi Government owned based in Riyadh) has b with a $8.5m. equity par tion and a $15.75m. loan.

An encouraging sign fo Saudi Arabia and the rec countries is that the pa months have seen what ap to be the beginning of private sector interest vesting in some of the World countries.

Kamal Adham, chief f affairs adviser to the late Faisal, has joined Mahdi the United Arab Em Ambassador in L and Lonrho is est ing in Cairo the Sara which has already set up taxi service and has rece concession for handlin transport of heavy between the Suez Canal a rest of Egypt.

Meanwhile Adnan Kha the now well-known Sa vestor and project pr has recently been invol plans for agricultural s in both Egypt and Sudan refinery at Port Sudan tourist resort near Cairo

**Michael**

*Mr. Field is the author of on Arab wealth called " Million Dollars a Day, lished by Sidgwick and J*



مكتبة الملك

**The efficient management of Saudi Arabia's enormous oil surplus has now been recognised as essential to the country's long-term future, and attempts have been made to ensure that the best use is being made of these resources.**

# The oil surplus

DI ARABIA, more than any member of OPEC, is the try which sees its surplus evenues as a national pen- fund on which it will have aw when its oil income dips the level of its spending, s anxious to see the value s foreign assets protected. en if by 1980 the current unts of the OPEC members whole are in equilibrium— rediction which itself res some fairly bearish nptions on the future trend demand and prices—Saudi a, together with Kuwait, United Arab Emirates and , will still be generating a us, and so its present de towards its surplus is to continue into the next e.

the diplomatic sphere the s' interest in protecting the of their assets has been n the Conference on Inter- nal Economic Cooperation producer - consumer gue), where they have been driving force behind the on of the finance commit- one of the four specialist issions established by the ence.

## orm

the opinion of the major ner Governments partici- in the CIEC, the job of ance committee is to con- the financial implications other committees' work. gnificantly the Saudis see e as being the discussion netary reform. This, in udi view, might lead to ngdom gaining a greater- the operation of such tions as the IMF, and able therefore to influence ns on such matters as t rates and units of t used in international ry transactions which have a direct bearing on otection of the value of Saudi contributions to ng operations.

despite their official of the protection of their s, the Saudi authorities not in practice been very rcially minded in the dis- of their assets.

very large amount of has been channelled into other Arab and Muslim ies (and especially to the line" states, Egypt and loans to the IMF, the Bank and Third World ments at sub-commercial t rates, and contributions capital of national or lateral funds for project or current account aid giving.

The approximate scale of disbursements for these purposes, together with a few loans to industrial governments (notably Japan) and one or two equity participations in Third World projects, can be gauged from the size of the discrepancy between the figures given for Saudi reserves in the IMF's International Financial Statistics (which include none of the above items except loans to the Fund's own Oil Facilities) and the figures for the estimated cumulative Saudi surplus.

At the end of September last year this discrepancy ran to some \$14bn., with the cumulative surplus than estimated at \$35bn. and the figure for reserves in the IFS at \$21bn.

Given Saudi Arabia's ideological commitment to a new international economic order and the Arab cause in the conflict with Israel, together with the pressure recently put on all OPEC States for increased aid, it is inevitable that large parts of the total surplus should have had to be deployed in this entirely non-commercial fashion.

What at first sight seems rather more surprising is that the Saudi Arabian Monetary Agency (the Saudi central bank) should have invested the remainder of the Kingdom's surplus (accounting for most of the IFS figure) in bank deposits, certificates of deposit and bonds issued or guaranteed by financially sound Governments, whereas the authorities in Kuwait, Abu Dhabi and Qatar should have concentrated on more inflation-proof assets such as equity shares and property.

The explanation of this behaviour lies in the extreme conservatism of the Saudi Government and the traditional adherence of SAMA, which from 1958 to 1974 was governed by a former IMF employee, to the most orthodox conventions of central banking practice. It is characteristic that on the one occasion when the Saudi Government is thought to have been considering setting up a commercially orientated investment corporation, in the autumn of 1974, it seems to have been scared off the idea by the outcry which accompanied some of the more ambitious OPEC investments made around that time in Germany and the U.S.

In view of the reserves' importance and the vast increase in their size over the last two years, it is also slightly surprising that changes in the management and deployment of Saudi reserves since 1973 should have been of only a minor nature.

For some two years after the 1973 oil price increases only the smallest alterations were made to the list of 35 banks authorised to receive SAMA deposits. These changes involved the removal of Société Générale de Banque (Belgium) and the addition of Société Générale (French) and the British Bank of the Middle East. It was not until October 1975 that a major change was made, with the addition of a further seventeen names, including Royal Bank of Canada, Mellon Bank, United California Bank, Skandinaviska Enskilda Bank, Bayerischevereinsbank, Westdeutsche Landesbank, Crédit Bank of Brussels, Hong Kong Shanghai, Sumitomo Bank, Dai Ichi Kangyo Bank, and Bank Kobe.

Another change has involved a shortening of the maturity of deposits from an average of about three years in 1973, though this has been the result not of a change of SAMA policy but of the banks' reluctance to take large blocks of slightly more expensive longer term money when loan demand has been low. During the past 12 months a lot of the money earmarked for longer term investment has been left in cash, along with funds awaiting allocation to the budget, aid or international loans.

On the management side, the death in November, 1974, of SAMA's governor, Mr. Anwar Ali, who had enjoyed a particularly close relationship with King Faisal, left a vacuum at the top of the Monetary Agency which has been filled by the establishment of an Investment Committee under the chairmanship of Mr. Ahmed Abdelatif.

## Bankers

To assist the Committee SAMA is employing a six-man team of bankers from Crédit Suisse-White Weld and Barings. These new arrangements, which reflect the growing scale and complexity of SAMA's operations, replaced the earlier system under which the day-to-day investment work was done by two or three secondees from Morgan Guaranty.

In a further attempt to spread the burden of investing the Saudi surplus SAMA has begun using some half-dozen London money brokers, which, like the SAMA staff in Jeddah, are restricted to dealing with banks on the approved list. This innovation was apparently being considered shortly before his death by Anwar Ali, who had traditionally felt that central banks should not use money brokers as a matter of principle, and it was approved soon after the succession to the SAMA governorship of Mr. Abdel-Aziz Quraishi.

The need for more and better quality manpower, which lies behind the arrival of the Crédit Suisse - White Weld/Barings team and the use of money brokers, has led to the establishment in London of the Saudi International Bank (al Bank al Saudi al Alami) owned by SAMA (50 per cent.), Morgan Guaranty (20 per cent.) and National Westminster, Deutsche Bank, Banque Nationale de Paris, Union Bank of Switzerland and Bank of Tokyo, together with the Saudi-owned Riyad and National Commercial banks.

## Investment

The Saudi International Bank is not an official arm of SAMA in London, to be used to vet investment propositions presented to the Monetary Agency. Its purpose is to compete with other institutions for business in Saudi Arabia and London, and in so doing to act as a vehicle for the training of Saudi bankers. Apparently SAMA felt, in deciding to establish the SIB, that with its huge stake in the Western money markets it needed not just secondment arrangements with friendly banks for training purposes, but a major institution of its own which could stand in the market on commercial terms.

The SIB has not yet begun business — it hopes to open its doors in March — but it has already been suggested, in the face of official denials, that the bank will eventually be used for the purpose of placing the Saudi reserves.

In fact this is unlikely to happen. The Saudis, in keeping with the universal OPEC philosophy of ensuring that the maximum amount of the benefit from oil revenues should go to national institutions, individuals and communities, are determined that the investment of their nation's surplus should be handled not from London but from Jeddah, or, when SAMA makes its planned move to the Saudi capital, from Riyadh.

**Michael Field**

# oreign policy

CONTINUED FROM PREVIOUS PAGE

ctive in the past month ting to secure a ted settlement. Prince has held several meetings e PDRY Foreign Minister med Saleh Mutia: are aimed at nor- g relations with PDRY, til the latter renounces t for the Marxist- ted rebels in Dhofar it be difficult for this to . The Saudis are also g for a resumption of the commission between the mens.

two Yemens still the most sensitive area Saudis in the whole la. In Saudi eyes this lerstandable. Aden is and Soviet-allied; North was the country from Nasser intended to te the peninsula; the mens' population at over twice as large as that of rabia; over 1m. Yemenis in Saudi Arabia; and Aden is strategically t and provides a wedge et influence, linked up malia, and close to the in situation in Djibouti trea.

the poverty of the and its general isolation the Arab world the in the past probably overreacted to this threat. But now the approach is more pragmatic. In North Yemen limited support for the old royal tribes lingers on but the Saudis have been careful to provide the government with substantial budgetary assistance (\$200m. a year) and are heavily committed to paying for infrastructure developments. They do not appear unduly concerned at reports of Sanaa acquiring new Soviet equipment. Ironically the Saudis have followed other more radical Arab States in supporting the Eritrean Liberation Movement (ELF). This seems more of an emotional reaction in support of Muslims, rather than a carefully planned policy.

## Frontier

As regards relations with the rest of the peninsula things have become much more harmonious since the resolving of claims to the Buraimi Oasis, on the borders of Abu Dhabi and Oman. This vexed question seemed at one time intractable and soured the early years of the formation of the UAE—so much so that Saudi Arabia refused initially to recognise the UAE. The frontier has now been agreed with some concession to Abu Dhabi, but with the latter providing Saudi Arabia with the corridor to the Gulf coast it sought (permitting an oil pipe there instead of going all the way up to Dahran). Agreement was also reached in principle last year with Kuwait on the offshore boundaries between the Neutral Zone and Kuwait proper.

These regional matters, though often only reaching the small print of the international Press, do take up much of the Saudis' time in foreign policy—more so than the ongoing relationships with Western countries which are freer of personality conflicts, traditional rivalries and suspicions. Of the important Arab States, Saudi Arabia has been the most consistent friend of the West. In the last resort the West, and in particular the U.S., is seen as the kingdom's protector (even though such a role for the West is diminishing). Saudi Arabia regards the help of these countries essential in the drive to build a modern State out of oil money. Saudi Arabia was among the first of the producers to preach the interdependence of producer and consumer.

For this reason the Saudis have found their relations with America strained at times in the past year by the tough and crudely nuanced statements both from Dr. Henry Kissinger and from the former Defence Secretary Mr. James Schlesinger on the possible resort to force to keep oil supplies flowing. The Saudis believe such an action would be sheer folly and totally counter-productive. Nevertheless, last May they took the Americans sufficiently seriously to despatch extra troops to the oil installations in the Eastern Province. Some of them are still there.

A number of other factors have served as irritants. For instance, the removal of the U.S. ambassador in Jeddah, Mr. James Akins, allegedly because, among other things, he was too "soft" towards the Saudis. Again, there is the Congressional insistence that there be no discrimination against Jewish Americans who could be employed on contracts in Saudi Arabia (which there still is). More important, the Senate subcommittee revelations on the dealings of Northrop and Lockheed have been a source of serious embarrassment.

## Evenly

The combined effect of these various elements have almost certainly contributed to a shift away from the former dependence upon the U.S. During official visits to Paris and London last year, Prince Fahad emphasised Saudi Arabia's desire to see more and closer co-operation. It was repeated again when the British Foreign Secretary, Mr. James Callaghan, was in Riyadh at the end of November. Although no policy has been formalised, it seems that the Saudis would like to parcel out contracts fairly evenly to the country's leading partners, thus ensuring their commitment to Saudi Arabia's development.

However, it would be a mistake to underestimate the importance and depth of the American connection. Very few major contracts, whether civil or military, have until now gone to non-American companies: and many observers reckon that the Americans could pick up as much as 50 per cent. of the business generated by the new Plan.

**Robert Graham**
*Middle East Correspondent*



**The State is likely this year to take full control of Aramco, the largest oil producing company in the world. But it will still maintain a close relationship with a group of U.S. shareholders to run the development, exploration and operational programmes.**

# Oil production

SOME TIME in the first part of this year Saudi Arabia should finally conclude negotiations on the 100 per cent. take-over of the Arabian American Oil Company (Aramco), the largest producer operation in the world. It is 18 months now since the Government first announced its intention of asserting full State ownership of a concern whose activities have been responsible for the Kingdom's wealth and just over a year since the U.S. shareholders conceded the principle.

In the summer of 1974 the Saudi Government increased its share in the assets of the company from 25 per cent. to 60 per cent. after Kuwait had raised its stake in the Kuwait Oil Company (KOC) to a similar proportion. Now that the neighbouring Arab oil State has finalised the terms of its complete take-over of KOC the political pressure may be on Saudi Arabia to finalise its own deal, which has been the subject of a number of little publicised rounds of negotiations between Sheikh Ahmed Zaki Yamani, the Minister of Oil, and the companies.

However, Saudi Arabia has not been in a hurry to be the first and has evidently been more anxious to perfect the details of an arrangement tailored to the peculiar needs and problems of Saudi Arabia. It will be very different in content and complexity from the Kuwaiti one.

It is clear that Aramco will continue in being very much as the integrated entity that has evolved since development of Saudi Arabia's oilfields began in real earnest after World War II. There will be a continuing relationship between Saudi Arabia and the group of U.S. shareholders—Exxon, Texaco, Standard Oil of California and Mobil—which will continue to run a service company for operation, development and exploration.

In both the scale of its oil industry and its potential, Saudi Arabia is a very different proposition from Kuwait, where development is virtually static and the running of the fields a relatively simple matter. Moreover, from the Kingdom's point of view the sheer volume of oil produced would make it desirable—if not necessary—for a stable pattern of sales to established customers. Given Saudi Arabia's weight as a producer, this is even more vital for the stability of the world market and the interests of the consumer—an active consideration in the formulation of Saudi marketing policy.

For the four companies the benefit of secure supplies over what should be a well defined and, presumably, long period would be immense. In return for their services which, in effect, will amount to a small discount on each barrel of oil the partners lift, at a time when the majors have been losing much of this privileged access to crude.

## Discount

The Saudis intend that this discount should be calculated on an evaluation of all the different services performed not only production, development and exploration but also Aramco assistance with projects outside the oil industry like the Eastern Province's electricity system. A unique feature of the agreement will probably be that the Aramco partners will undertake to invest in exploration.

This is seen as a means of ensuring that expenditure is not wasted and that the partnership makes a maximum effort to find new commercial discoveries. They in turn, however, will want some compensation for their risk capital expended to be taken into account in whatever "fee" is decided. In prospect is a fairly elaborate agreement recognising a mutual interdependence and a marriage of interests between partners.

At about the time the Government announced its intention of taking 100 per cent. control one senior Saudi official was quoted as saying that the disruption of Aramco "could mean the disruption of the entire world economy." An orderly transition is very much in the interests of Western consumers as well as the shareholders of the four U.S. majors. As the world's largest exporter, with considerable capacity in hand, Saudi Arabia's attitude is crucial—both for the supply of oil itself and, through its willingness not to restrict output below a certain level, as a force for stabilising prices on the world market. It is the weight deriving from large production capacity and refusal to join in a production programme that has enabled Saudi Arabia to be a moderating force within OPEC on the price issue.

At 8.48m. barrels a day (about 455m. tons a year)—including a 271,000 b/d output from the Neutral Zone—Saudi Arabia last year accounted for 27.5 per cent. of total OPEC output and 40 per cent. of Middle East members' production (excluding the North African States). In the first 10 months of 1975 output averaged 7.03m. b/d, a 17.1 per cent. drop compared with the year before in response to slacker market conditions. The Kingdom's output was 25 per cent. of OPEC's during this period and 35 per cent. of the Middle East's.

Last year saw big variations in the rate of Aramco's production, not least the dramatic fall to 5.63m. b/d in October, down 2.47m. b/d on the previous month when customers were restocking in anticipation of the OPEC price rise. This was the lowest level since the summer of 1967 and only two-thirds of the current "maximum allowable" (on an annual average basis) of 8.5m. b/d in force since the Arab oil embargo ended in March, 1974.

As the so-called "swing" producer, Saudi Arabia has over the past year and a half been a balancing factor in the world market. It has been prepared to take up the slack in supply and demand although the State's current capacity to spend cannot require a level greatly in excess of 4m. b/d.

At 51.3 per cent., just over half of Aramco's exports went to Europe in 1974. Another 30.4 per cent. was shipped to Asia, but only 4.9 per cent. to North America compared with 11.3 per cent. to South America. Final figures for 1975 should show a clear shift in emphasis towards the U.S. market, which in the first half of the year imported at the rate of 578,000 b/d, or rather more than 10 per cent. of Aramco exports.

What gives Saudi Arabia such a decisive weight in OPEC is its spare capacity, which is now in the last stages of expansion to 12m. b/d. Authorisation to increase it further to 15m. b/d has been given and on the basis of known commercial fields it could rise to 20m. b/d—the level which the Government was planning and the U.S. Administration counting upon before the October War of 1973 and the escalation in oil prices. At the end of 1974 "probable reserves" (including those in the Aramco area were estimated, probably conservatively, at 172.5bn. barrels, of which 103.4bn. were "proven." The first figure would give a production at the rate of 8.5m. b/d for 55 years until the year 2030.

The 16 fields already in production—including the immense Ghawar, the world's largest—would be enough to satisfy Saudi Arabia's needs for the foreseeable future. In addition, there are at least nine other proven fields which have still to be developed. Yet, the development and exploration programme is proceeding apace—with Aramco's current programme involving expenditure of \$4bn., quite apart from the implementation of the gas distribution scheme. On the exploration side, the aim is (to quote the 2nd Five-Year Plan) "to identify new fields and thus improve resource utilisation potentials to meet both world energy needs and domestic hydrocarbon industry development."

The Kingdom's existing resources and known potential exist in the east of the country in a swathe of territory stretching from the Neutral Zone to the Rub al Khali where—near the border with the United Arab Emirates—the promising Shaybah field was discovered in 1968. Part of a structure which will probably stretch into UAE territory even after the border adjustments have been finally agreed, it has yet to be exploited but is believed to be under development.

Nothing new is expected from the Neutral Zone, shared with Kuwait, where on-shore the operator in Saudi Arabia's share of the concession is Getty and off-shore the Japanese-owned Arabian Oil Company. It should be said that neither AOC's heavy Khafjii 28 API gravity oil nor Getty's 35 degree crude is the most desirable crude even in better market conditions.

## Variety

In the Aramco area, however, Saudi Arabia has a variety of oils that make it something of a supermarket compared with most of the other oil producers. First and foremost is the 34 degree Arabian Light, the so-called "marker" crude according to which the price differentials of others are calculated in OPEC. At the top end of the scale there is the 39 degree Berri. At the other the 31 degree Arabian Medium and 27 degree Arabian Heavy. From October 1 Saudi Arabia only applied the full 10 per cent. price rise increase decided by OPEC in the previous month to Arabian Light, while limiting the increase for the heavier crudes to 8-9 per cent. and to Berri to 6.8 per cent.

As part of a revised system of differentials to reflect market demand — virtually dictated by Saudi Arabia to the other producers—the new government market prices became \$11.51 for Arabian Light, \$11.87 for Berri, \$11.33 for Arabian Medium and \$11.14 for Arabian Heavy. To its partner companies Saudi Arabia gives an effective discount of some 20 cents. For this reason and because liftings of the different crudes vary, it is difficult to give a precise weighted average but it would probably have risen to something over \$11.30.

Just what provision the forthcoming take-over agreement will make for Saudi Arabia's own State marketing plans can only be a matter for speculation. With a 25 per cent. participation from the beginning of 1973 and then 60 per cent. from the summer of 1974, Petromin, the Saudi State oil and minerals agency, has had the option of marketing a very substantial quantity of oil. As yet it has not done so—although a threat to offer a big volume in the latter part of 1974 was believed to be one factor that made Aramco agree in principle to the 100 per cent. take-over.

In May 1973 Petromin concluded contracts with a number of Japanese, U.S., West European and other companies for the sale of nearly 200,000 b/d over the three years ending last month. It is reliably believed that the Supreme Petroleum Council—the final authority on oil policy—is prepared to renew these agreements. But it is not known yet what increase in direct Petromin sales is planned at this stage.

As a result of a Government decision announced in November Petromin is to give up responsibility for industrial projects, including petrochemicals, and will concentrate on the distribution, refining and marketing of oil abroad. For a decade now it has been responsible for internal distribution and has had its own refinery capacity since the completion of the first phase of its Jeddah refinery in 1968. Its capacity has since been expanded to 50,000 b/d and the 15,000 b/d refinery at Riyadh has been in operation for some years now.

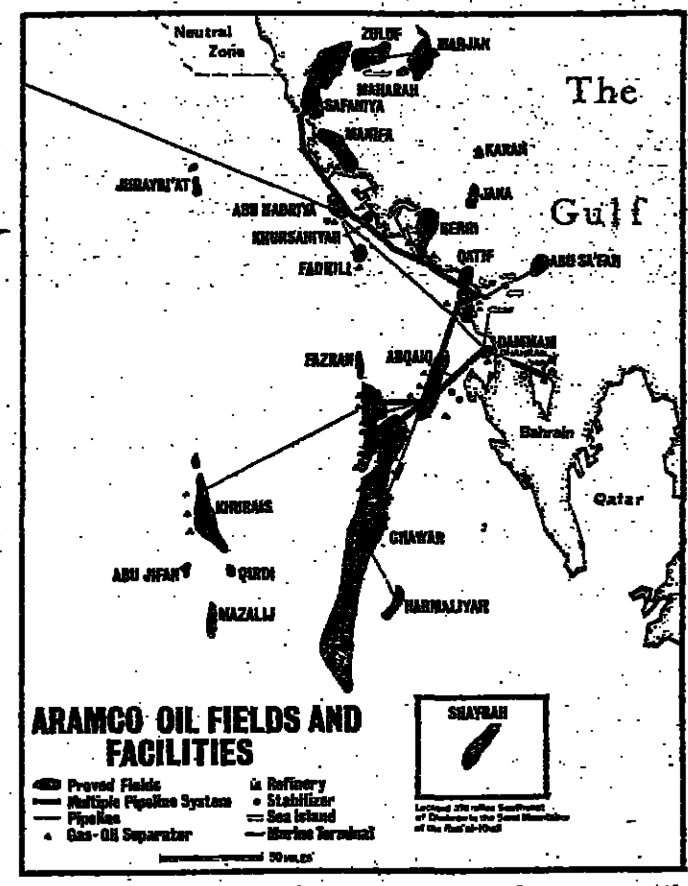
Slated for the coming plan period is a further increase of capacity geared to production for the local market with the possible expansion of the Jeddah facility to 240,000 b/d and the Riyadh plant to 120,000 b/d. Actually under implementation in partnership with Mobil, which will have a 29 per cent. share, is the lube oil plant at Jeddah. But it is in the field of export refining that the big expansion of Petromin's responsibilities—direct marketing of crude apart—will occur.

As it is, Aramco's Ras Tanura refinery, with a throughput potential of over 500,000 b/d, is one of the largest export facilities of its kind in the world. In line with the policy of maximising the return from oil production and the added value from it, Petromin was at one point in the middle of last year planning to construct in conjunction with foreign partners no fewer than four giant refineries, each with an initial capacity of 250,000 b/d rising to 500,000 b/d. Subsequently, Gulf Oil withdrew "reluctantly" from negotiations because of heavy commitments, and talks with Mitsubishi on a fourth project seem to have stagnated.

Agreements in principle on 50-50 joint ventures with Shell and Mobil are almost certain to materialise into giant refineries, initially with a capacity of 250,000 b/d rising later to 500,000 b/d, both of them associated with petrochemical complexes. The plant to be built by Shell, the first to clinch a deal with the Saudi Government, is scheduled for the Jubail on the east coast where it will be at the heart of the industrial area there. Mobil's would be sited on the west coast as the core of the Yanbo industrial area, which will be connected by a 1,250-kilometer crude oil pipeline from the oilfields—a project also to be undertaken by the American major.

Seven years ago Sheikh Yamani talked of "downstream" participation — meaning that Saudi Arabia should take a stake in the processing profits "downstream." With the siting of the joint venture projects on the Kingdom's soil the concept will take a different form, but one, nevertheless, designed to give the very best in technical performance and guaranteed access to markets through the partnership with the two companies.

**Richard Johns**




ARAMCO OIL FIELDS AND FACILITIES

*Saudi workers on a drilling rig.*

**Natural gas associated with the oilfields has hitherto been put to little use. Now plans are afoot to harness this valuable asset as an energy source and as a feedstock for a petrochemicals sector in a $10 bn. development.**

# Natural gas

·PARENT oddity of the ·abian Second Five-Year that it makes only the ·rsory reference to the single project ever ·en in the Kingdom and of fundamental import- its long-term develop- t points out that "pro- ' of associated gas from s operated by Aramco amounted to 4.42bn. ·et per day in 1974 of ·ily 17.8 per cent. was consumed for the pur- gas re-injection, power n and industry.

·locument then says "Several projects are g planned for utilising ·irce in new manufac- tivities such as petro- ·-and -steel-making." ·rt from the industrial ·is gas as feedstock and basic system for the , treatment and trans- of the valuable—but wasted—raw material an estimated $10bn., to the latest estimates ·

·tual omission of men- ·he project from the be accounted for by ·hat it falls within the ·f Petromin which, as ·cy originally charged drocarbon-based and ·iversification, has long ·ıd of autonomy of its substance, the scheme ·ssing the gas will be ·h the base of Saudi industrialisation pro- Originally it was ·hat about 3.5bn. cubic feet per day of gas should be gathered and treated—which would be roughly the amount associated with an oil output of 8m. barrels a day.

Recently, however, it was revealed to the Middle East Economic Survey that the project should be expanded to cater for 5.5bn. c.f.d., the off-take from a petroleum production of 12m. b/d—more or less the present capacity of the Aramco fields. Within a single year the total cost estimate has been raised from $5bn. to $10bn. as a result of inflation, the expansion of the scheme and the addition to the complex of a 1,250-kilometre pipeline to carry gas liquids to the Red Sea coast at Yanbo.

## Embraee

There and at Jubail on the Gulf coast of the Eastern Province will be sited the two industrial areas that will embrace Saudi Arabia's multi-billion dollar investment in petrochemicals and other heavy industries based on the gas and its derivatives. It will supply fuel for an integrated electrical power system in the Eastern Province, where the installation of 2,470 MW is called for by the Plan, connecting with Riyadh. And, of course, a proportion of the gas gathered will be used by Aramco for re-injection and other purposes.

Exploitation of gas involves its separation into NGL (natural gas liquids) and "lean gas." Completion of the project should make Saudi Arabia the largest exporter of NGL in the world. Planned is an NGL capacity of up to 554,000 b/d broken down into the various derivatives as follows—305,000 b/d of propane, 144,000 b/d of butane and 105,000 b/d of natural gasoline.

But the amount available for export will depend on how much is actually utilised in the petrochemical plants scheduled for Yanbo and Jubail which are still the subject of detailed negotiation. The cross-country NGL pipeline is to have a capacity of 250,000 b/d, of which 90,000 b/d would be reserved, according to present thinking, for the refinery and petrochemical complex at Yanbo with the remainder being free for NGL exports.

After the requirements of the Jubail refinery and petrochemical plants have been met, there should still be a substantial amount for export from Juaimah, Aramco's new terminal on the east coast. At the same time, Aramco is undertaking a project of its own to increase its present NGL output from the present optimum of 180,000 b/d (production ran at 132,000 b/d in 1974) to 360,000 b/d.

The "lean gas" will be used as a fuel for power generation and industrial ventures, re-injection into the oil fields and as feedstock for petrochemical. With the flow of associated gas dependent on what will inevitably be a variable level of petroleum production, the needs of the varions operations and enterprises supplied by it will be insured by linking the Khuff dry gas field.

Involved in the separation process will be an immense desulphurisation complex which will yield up to 2.3m. tons of sulphur annually and make Saudi Arabia a substantial producer of the commodity in its own right. Saudi officials have been quoted as saying that the objective is to satisfy concern about atmospheric pollution and that the Government would stockpile it rather than undermine prices on the world market.

On behalf of the Government Aramco has undertaken responsibility for developing and operating the system which is scheduled for completion by 1979. This makes good sense in that the scheme is intimately linked with the oil production process and that it relieves Petromin, with its limited administrative sources, from the burden of supervising the project. Some idea of what will be involved can be seen from the fact that six townships to accommodate some 3,000 workers each will have to be built to serve the project and that Aramco is building three large barge jetties to unload equipment required for it. A letter of intent was issued to Fluor International last summer for engineering, procurement and design management and implementation on the ground should begin in the not so distant future.

## Expansion

Mobil, meanwhile, is taking charge of the 48-inch pipeline from the Ghawar oilfield which will parallel the NGL pipeline to Yanbo and feed the refinery and petrochemical complex which the company is to build in partnership with Petromin. There will be spurs to Riyadh and Jeddah to serve the expansion of refineries there needed for the domestic market.

Preparation of the infrastructure of the industrial areas is going ahead concurrently and negotiations—some of them at an advanced state—are proceeding on the joint refining and industrial ventures which will be served by the gas distribution system. Jubail and Yanbo may be seen as the two most important poles of Saudi Arabia's diversification and development programme. They are considered so important that the Government decided to establish two separate Royal Commissions to expedite their implementation and avoid administrative bottlenecks.

Final agreement on two major export refineries to be built as 50:50 joint ventures with Mobil at Yanbo and with with Shell at Jubail are expected to be concluded soon, each with an initial capacity of 250,000 b/d rising to 500,000 b/d later. Petromin also plans a third to be sited in the Jubail industrial area, but—with Gulf Oil having withdrawn from negotiations and those with Mitsubishi having apparently stagnated—its future seems more problematical.

Both the Shell and the Mobil facilities will be associated ethylene petrochemical projects of which the details also have yet to be finalised. Negotiations with Dow Chemicals have progressed far enough for another joint venture with this U.S. concern in petrochemicals to be considered a probable starter. Other project proposals put forward by Eastern-Celanese Corporation, Exxon, Mitsubishi, Amoco and Stauffer Chemical are said to be at a "serious study stage."

## Fertiliser

At present the Kingdom's nitrogenous fertiliser production has been limited to the Saudi Arabian Fertiliser Company, in which Petromin has a 51 per cent. majority control, with the rest of the shares owned by the public. With an output of over 150,000 tons and higher world market prices, it was able to pay a dividend in 1974 for the first time after several years of operation. In conjunction with ICI, which would supply management and technology, Petromin intends to embark on a much larger, wholly State-owned urea project with a capacity of 1m. tons a year.

Negotiations on a joint venture with Taiwan Fertiliser on a plant producing ammonia and urea are understood to be near conclusion. Similar projects have been discussed with Agrico and W. R. Grace, the latter in conjunction with the Japanese company C. Itoh. A letter of intent was signed with British Petroleum a year ago on joint development of a plant to produce artificial protein for which feasibility studies are being prepared.

These petrochemical developments—as well as those for steel and aluminium—have so far been nutured by Petromin. However, in November last year the Government decided responsibility for them should be transferred to the Ministry of Industry and put under a new state agency for industrial development which has yet to be formed. At this point it is an open question whether or not negotiations in hand and eventual implementation will be affected by the reorganisation. Clearly, however, the Saudi Government is committed to maximising the return from oil and gas by a very heavy investment in hydrocarbon-based industry and others which can benefit from cheap energy.

**Richard Johns**

# Industry

**The country's merchants are showing a readiness to invest in industry and there has been a spate of applications for industrial licences.**

ONE OF the most striking manifestations of the optimism that derives from wealth in contemporary Saudi Arabia has been the spate of applications for industrial licences. For such a cautious group—accustomed to the easier, fatter profits of trade and real estate—the country's merchant class is showing a surprising readiness to invest in productive enterprise, even though the maximum return is said to be 12-14 per cent. With Government encouragement, not the least interest-free loans and incentives to foreign partners, the private sector looks destined to play its full part in helping to diversify the economy industrially away from its predominantly hydrocarbon base.

Policy is that the Government should look after the heavier end of industrial development—with the aim that the public should later be invited to take up shares in these enterprises when they have proved to be viable. State-owned industry outside the hydrocarbon sector is at present limited to the steel-rolling mill at Jeddah which was established seven years ago by the General Petroleum and Minerals Organisation, usually known as Petromin. Like the much larger projects which have been planned and pursued in negotiation by Petromin over the past two years, it will be transferred to the new Ministry of Industry.

Under the Government decision announced last November Petromin's activities will be limited to refining, distribution, marketing and transportation of oil and products. To the surprise of many it will lose responsibility for the large petrochemical developments which are on the verge of implementation. Together with steel and aluminium, these will be transferred to a new State industrial development organisation which has, however, yet to be formed.

From the point of view of implementation, the most advanced of all the projects in the pipeline is the one for a steel plant at Jubail with a capacity of 3.5m. tons per annum of pellets. Owned 50 per cent. by the State and 50 per cent. by a group of foreign partners composed of Marcona and Gilmore Steel of the U.S., Estel (the German-Dutch company) and Nippon Steel and Nippon Kokan of Japan, the plant will use the direct reduction process and be fired by associated natural gas—exploiting the Kingdom's competitive advantage in this respect. It is planned that a proportion of output will be exported while the balance will be converted into steel within Saudi Arabia. Associated electric furnaces would process products for domestic consumption.

## Aluminium

Scheduled for the second Plan period and to be located in the Jubail industrial area in the Eastern Region is an aluminium smelter which Petromin has been negotiating with several unidentified potential foreign partners. Also firmly planned is an increase in output of the Jeddah steel rolling mill to its full (three-shift) capacity of 45,000 tons annually of steel reinforcing bars and a further expansion to 300,000 tons is aimed at.

The most recent available breakdown of the sector is for 1974. This shows that there were no less than 9,360 establishments — 42 per cent. of them in the Western Province —employing 36,012 people and with net fixed assets of SR716m. Gross value of output was put at SR1,109m. of which nearly SR500m. was considered to be added value. Numerically, the largest number of units was accounted for by textiles, clothing, leather and leather products with 3,563 establishments employing 5,959 workers followed by: food, beverages and tobacco at 2,526 (10,601 workers); wood and wood products including furniture, 1,474 (4,429); fabricated metal products, machinery and equipment, 864 (4,260); and non-metallic mineral products 798 (6,065).

The vast majority of the establishments were small workshops, bakeries, tailors, cobblers and the like. Discounting repair outfits and others which did not "manufacture" regularly the total would have been about 700 of which about 300 employed more than 10 people. Yet the 1970-75 period did see a real advance. There was, most notably, an increase in cement production which reached more than 1m. tons in 1974 and a wide variety of new modern plants designed to serve the booming construction industry.

For the future the State will undoubtedly play a much bigger part in the expansion of industrial production outside the strictly hydrocarbon sector. So far its contribution has been limited to the steel-rolling mill and its 51 per cent. share in the Saudi Arabian Fertiliser Company which last year for the first time paid a dividend and recorded export sales of nearly $5m. In terms of Gross Domestic Product total added value of output of manufacturing industry — excluding refining—was calculated at SR901.8m. compared with SR431.2m. five years earlier—giving an annual growth rate in real terms of 11.4 per cent.

This expansion fell short of the First Plan target of 14 per cent. By the end of the period manufacturing industry accounted for an estimated 5.5 per cent. of GDP compared with 7 per cent. five years earlier. Employment in the sector rose from 36.100 in 1970 to 46.500 in 1975. In the first four years of the last plan period 261 licences for new plants or expansions were granted, of which 79 involved foreign participation.

Of the 261 applications for licences between 1970 and 1974 only 79 involved foreign participation. Joint ventures with an investment of about SR600m. were concerned mostly with light engineering, furniture, bricks, tiles and dairy products. Only 10 per cent. of the capital was estimated to have come from industrialised countries with the balance flowing from Lebanon, Syria and other Arab countries. The picture in the coming few years will be very different.

A new phase of expansion was well under way before the Second Plan period. It has taken place largely within the guidelines of the research of the Industrial Studies and Development Centre and the licensing policy of the Ministry of Commerce and Industry which was split up in the recent reorganisation. More recently there has been the stimulation provided by the creation of the Saudi Industrial Development Fund. At the same time the State is vigorously pressing ahead with the development of industrial estates.

Given the bottlenecks and the shortage of labour the programme is certainly an ambitious one for the 1975-80 period. Included are 150 projects drawn up in conjunction with ISDC and identified as being feasible within the policy of reducing dependence on imports where possible by the creation of viable industries at home. To implement them and bring about the anticipated increase in industrial output a total investment of SR6.7bn. is foreseen of which SR1.7bn. will be spent on expanding existing plants.

## Cement

To raise cement production capacity ten-fold to 15m. tons annually the construction of six new cement plants is planned for Jubail, Buraidah, Tabuk, Yanbo and Hofuf with another in the Southern Province. The programme also covers a phosphate fertiliser plant, two sugar refineries, lorry assembly, vegetable oils and tyres apart from a considerable expansion of capacity for building materials, foodstuffs and beverages, textiles and clothing.

No less than SR1.76bn. has been allocated for industrial estates to increase the 1.5m. square metres of space now available at the established sites at Riyadh (0.45 sq. km.), Jeddah (0.5 sq. km.) and Dammam (0.57 sq. km.). Those at Jeddah and Dammam are being expanded to 1.2 sq. kms. and 2.5 sq. kms. respectively, while new ones are to be constructed at Mecca and al Qasim. For the future there will be the huge industrial areas at Jubail and Yanbo for which Royal Commissions have recently been established and which should be ready for use in two to three years' time. Primarily, these will be for the big State-owned petrochemical and heavy industries, but should later cater for satellite plants either partly or wholly in private hands.

Licences already approved by the Government more or less covered the whole list of designated projects and many others besides. Naturally there is heavy emphasis on the construction industry. But they embrace a very wide range of products including cables, packaging materials, air conditioners, deep-water pumps, synthetic fibres, refrigeration equipment, electric equipment and—somewhat problematically — motor vehicles.

Not all those interests which apply for and obtain them will necessarily implement projects, however. A more precise guide to progress can probably be obtained from the work of the Industrial Development Fund. With managerial and technical assistance from Chase Manhattan it has been quick to build up its capacity to process loan applications and has an integral role to play in Saudi Arabia's planning. Only charging an "administration" fee of 2 per cent. on the outstanding balance of loans, it is empowered to finance up to 50 per cent. of projects. It can lend to foreign investors provided that their equity share of a joint venture is not more than 75 per cent. (In practice, it is usually 40-50 per cent. and majority foreign participation is unlikely to [...] often).

By the end of October [...] approved more funds for [...]tricity generation than to [...]try—SR 726.3m. compared [...] SR428.0m. at the end of October. The latter sum [...] spread across 34 projects [...] that point the largest [...] amount (SR100m.) had [...] approved for the National [...] Company, a joint ve[...] between Sumitomo and Al[...] Loans of SR50m. had [...] cleared for Amiantit's exp[...] and the Saudi Sugar Comp[...] new refinery project inv[...] Tate and Lyle. The other l[...] commitments had been SR[...] for the existing Saudi A[...] Company and Basic Ch[...] Industries which produce[...]rine and caustic soda. Alto[...] a total of SR428m. in loan[...] been committed of [...] SR75m. had been disb[...] With approvals for ind[...] and electricity generatin[...]jects already more than [...] the initial capital of SR[...] the latter was increas[...] SR3bn. last November.

This progress has been [...] with only limited prom[...] tariff protection which, [...]ing to present policy, wi[...] be provided where a pro[...] likely to satisfy most or [...] the country's needs. Ov[...] past year or so tariffs hav[...] lowered or abolished in lir[...] the Government's drive t[...] down prices. The upper l[...] 20 per cent. only exists [...] dozen or so products like [...]ture. The trend is to [...] private enterprise—in [...] with foreign capital and [...]tise—to invest in areas w[...] can be competitive with i[...]

## Vehicles

Just how vehicle manu[...] will fit into the cont[...] general policy remains [...] seen. With its local p[...] General Motors seems [...]mined to go ahead with i[...] to assemble 8,000 cars [...] In conjunction with [...] Brothers Daimler-Benz [...] project designed to [...] 5,000 Mercedes trucks an[...] annually. Hino of Japan [...] licence to build a plant [...] out medium and large tr[...]

In the administration [...] is divided about these p[...] The GM partnership is [...]stood to have asked fo[...] protection of 35-40 per [...] an indefinite subsidy sta[...] SR40m. a year. Criti[...] claim that these plants w[...] relatively labour intensi[...] would be manned almost [...] by imported workers.

This particular debate [...] much at the heart of a d[...] over industrial policy w[...] not acknowledged in pub[...] one would dispute the [...] objective of diversifyi[...] economy and the more [...] one of concentrating on [...] intensive fields, parti[...] petrochemicals, where th[...]dom has a comparative [...]tage. Yet too rapid indu[...]sation on too broad a fro[...] add to the strains [...]frastructure and demar[...] qualified labour. More i[...]ant, in the long run the [...] not only involve the im[...] foreign expertise but als[...] At a lower level the e[...]ment opportunities creat[...] be more for expatriate[...] Saudis who show little d[...] place their hands on the [...] levers of industry. The [...]ment has yet to dr[...] criteria about the de[...] level of labour intensive[...]

**Richard J[...]**





# Manpower

**One aim of the current Five-Year Plan is to import 500,000 foreign workers to carry out its projects. Accommodating them is a major problem.**

) ASPECT of Saudi Arabia's anning strategy will have ore profound and imponder- le implications—politically, onomically and socially—than e aim to import nearly 0,000 foreigners over the ming five years. As far as 30 is concerned, the figure y prove to be as notional as e Government's overall penditure target. But there n be no denying the neral validity of the calcula- n. An influx of expatriate inpower on this scale would required to carry out the ojects outlined in the blue- int. Whatever the delays in plementation of projects, the ngdom is going to experience nething of a demographic t.

Commenting on those obvious plications, which worry some nking Saudis, Mr. Farouk hdar, head of the technical airs department at the nistry of Planning, suggested it the imported workers uld be scattered over the ole of the 1m. square miles Saudi Arabia and that their pact would not, therefore, be dramatic. Moreover, he ied, the Kingdom did not int them citizenship and they uld return home when their ks were completed.

True. But, in practice, for far ger than one or two plan iods Saudi Arabia will be dependent on foreigners in every sphere ranging from high technology to manual labouring—except, perhaps, for policemen, taxi drivers, minor bureaucrats, and farmers. In its totality the 500,000 figure could be seen as a bald statement of the fact that there are far too few Saudis to carry out even the minimal developments needed to create a modern society. Broken down the requirements—both by category and economic activity—also reflect the desperate lack of qualified Saudis (the vast majority of adults are still illiterate) and also their reluctance to undertake certain tasks at the lower end of the scale.

## Yemenis

The Kingdom has, of course, long been dependent on willing and adaptable Yemeni labour to an extent that is not shown in the official estimates that the foreign labour force totalled 314,000 in mid-1975 compared with 1,286,000 Saudis in employment. Generally, experienced observers believe that the number of Yemenis working in the Kingdom number at least twice that number and perhaps as many as 1m. With the last census carried out last year still under wraps, no precise figure can be given. Saudi officials do explain that until 1972 Yemenis could enter the country without a passport—with the implication that many of those who came before have merged into the Kingdom.

Even without this complication—or perhaps because of it—the Saudi estimates published in the Plan are confusing. The Saudi-expatriate breakdown is drawn from figures based on a demographic survey made ten years ago, subsequent analyses by the Central Department of Statistics and data collected by the various ministries for their own purposes. These show that the labour force grew from 1.328m. in 1970 to 1.6m. in 1975—3.8 per cent. annually, with the rate for Saudis put at 3.7 per cent. and for expatriates at 4.2 per cent. By 1970 it was estimated that there were 27,000 Saudi women in employment compared with 1.29m. men.

A different set of statistics for "employment by economic activity" shows the total to have risen from 1.10m. to 1.52m. in the same period, an average of 6.6 per cent. annually Excluded are the armed forces, but this could not account for the discrepancy in the 1970 totals. Over the five years the share of agriculture (including fishing and nomadism) was reckoned to have fallen from 40.4 per cent. of the total to 28.0 per cent. while that of construction rose from 12.8 per cent. to 20.6 per cent. The rate of increase was slightly faster for the public sector which accounted for 168,800 people, or 11 per cent. of the total by 1975.

Over the next five years Government planners have calculated that additional manpower of 808,500 or 730,600—according to which starting figure you choose—will be required to fulfil targets. The Saudi contribution of 232,000 is based on the anticipated 3.1 per cent. annual increase of nationals entering the employment market and the assumption that the number of working women will rise by 3.3 per cent. annually. It is estimated, meanwhile, that the number of active farmers will fall in number from 311,200 to 281,000 and bedouins from 114,900 to 98,700.

The number of foreign workers required is put at 498,000 (on the basis of the 1.52m. employment figure) which would mean that expatriates would account for some 35 per cent. of manpower, according to the official calculation—but a significantly higher proportion if the earlier proviso about Yemenis is taken into account. The accompanying table shows the projected requirement by occupational groups—with the demand being particularly heavy for semi-skilled, service and clerical workers.

In relative terms the overall expansion planned for manpower is to be greater in the public sector where the increase is projected at 15.9 per cent. annually—or 183,900 over the five years. But numerically the State itself would probably be seeking less than a fifth of the expatriates actually imported. Even so, administratively speaking the Saudi Government may have difficulty in recruiting the numbers of specific categories required.

To an extent they may be secured in bulk through inter-governmental agreements—like the 5,000 hospital workers which Saudi Arabia is hoping to obtain from South Korea. However, the Kingdom is facing tough competition from rival oil States for expertise and labour from such sources as South Korea, Pakistan, India, the Philippines, Malaysia, and Thailand. The Arab States of the Gulf, including Iraq, also have an urgent need for professionals and skilled men from such populous countries as Syria and Egypt.

Responsibility for finding the bulk of the expatriate manpower needed will rest on the private sector—not the least the foreign partners of Saudi companies and contractors carrying out projects in the Kingdom. Here the Government has acted positively in easing visa regulations so that an employer can present a list of recruits and receive block visa permits without the complications of the past—necessity of filling in detailed forms and receiving clearance from Riyadh for each worker individually. But this reform can only exacerbate the problem of housing which the Saudi Government increasingly expects foreign companies to provide for imported labour.

**Richard Johns**

**ESTIMATED NON-SAUDI MANPOWER BY OCCUPATIONAL GROUP, 1975-80**

(Thousands)

| cupational Group | 1975 | 1980 | Increase 1975-80 |
|---|---|---|---|
| nagers | 6.3 | 12.4 | 6.1 |
| ofessionals | 15.7 | 23.5 | 7.8 |
| chnicians and sub-professionals | 31.4 | 81.3 | 49.9 |
| rical workers | 31.4 | 121.8 | 90.4 |
| es workers | 47.1 | 112.6 | 65.5 |
| vice workers | 47.1 | 145.2 | 98.1 |
| eratives | 25.1 | 51.4 | 26.3 |
| lled workers | 47.1 | 101.9 | 54.8 |
| ni-skilled workers | 62.8 | 162.5 | 99.7 |
| Total | 314.0 | 812.6 | 498.6 |

**Despite their abundant wealth, the Saudis are anxious for foreign investment. Tax terms are reasonably generous and there are no controls on remissions.**

# Investment

DESPITE THE country's enormous oil surpluses and the abundance of private capital, Saudi Arabia is as anxious as ever for foreign investment. The statement on National Industrial Policy issued early in 1974 asserted: "The Government welcomes and invites foreign capital and skilled personnel to participate in economic development projects in co-operation with Saudi businessmen." In keeping with the Kingdom's frank admission of its dependence on outside help in fulfilling development goals, the message rings true and is genuine.

Rather than just purchase machinery, technology, patents, management and skills, Saudi Arabia wants foreign partners to have a vested interest in projects undertaken in the country. That, it is argued, is the best way to ensure that they are established and maintained as viable and profitable enterprises. It also helps to guarantee that managers, foremen and skills are found and kept.

For the big export-orientated projects—like the petrochemical plants being negoitiated with Shell, Mobil and Dow Chemicals—there is also the concern that overseas markets for the products should be secured. Thus, while the trend in the other oil producing countries is towards full state ownership of such entities, Saudi Arabia is looking for 50:50 partnerships. Those elaborate deals in the public sector which Petromin has been hammering out will be very much a law unto themselves.

For the private sector, foreign investment in both the industrial and service sectors (but not mining which is covered by a separate and much newer code) is governed by the law of 1964 when oil revenues had not generated wealth on anything like the scale which now exists. Last summer the old Ministry of Commerce and Industry set up a committee to improve the code with the aim of increasing the attractions for foreign investors. No new legislation is immediately in sight, and for the time being the Foreign Capital Investment Law, in itself a revision of an earlier version, is still in force In very substantive terms, however, its incentives have been strongly reinforced by the establishment of the Saudi Industrial Development Fund, whose resources are available to the foreign partners of Saudi interests providing that the latter hold 25 per cent. of the equity.

That is the minimum local shareholding qualifying an overseas company for tax exemptions under the law. It established a Committee for Foreign Capital Investment at the Ministry of Commerce and Industry to decide upon the licensing of operations within the Kingdom and of investment (of which the definition is totally comprehensive) by foreign companies. It has to be satisfied that the proposed enterprise can be termed as an "economic development project" and, after submission of a cost analysis or feasibility study by the applicant, that it is economically viable.

## Facilities

Approval for operations fully or more than 75 per cent. owned by foreign companies have rarely been given. After licensing and registration of a company involving foreign capital it qualifies for the benefits provided for by the investment law. This gives a five-year tax holiday from the date of starting production and interest-free Government loans of up to 50 per cent. of the required capital, excluding working capital—though the Saudi Industrial Development Fund, the new agency set up for making available such finance, is empowered to lend initial working capital for the first year or two of operation. The law also qualifies the project for exemption from customs duty on imports of machinery, spare parts and raw materials, and entitles it to land for manufacturing facilities on Government industrial estates.

On paper this may all sound very simple. In practice, of course, it is far more complicated even where the foreign company has found a suitable local partner. If a concern has no partner but feels that it has a product suitable for the market, it can seek one through a number of channels—the Jeddah section of the Ministry of Commerce and Industry; the industrial information and documentation department of the Industrial Studies and Development Centre; the Jeddah, Riyadh or Dammam branches of the Saudi Arabian Chamber of Commerce and Industry; the embassy of its country of origin; or one of the commercial banks.

With the customary bureaucratic delays, obtaining a licence can be a time-consuming business, taking anything from three months to a year or more and sometimes involving frequent requests for clarifications. Generally, the process is quickened when the level of capitalisation is set relatively high—the Saudis are anxious to see evidence of a long-term commitment. After approval has been secured there is the need to get clearance for the "memorandum of association" with the local company and then register the entity.

Under the regulations governing companies of 1965 the venture can be any one of seven types ranging from a joint liability partnership to a co-operative company. It can be concerned with industrial, service (including construction and maintenance) or professional activity—though the first is given primacy in planning. All official and legal correspondence must be in Arabic. And interested companies are advised to ensure that they choose the right lawyer.

It need hardly be stressed that the premium on finding the best possible Saudi partner or partners is equally great. He or they will be responsible for contacts with the Government both in the preparatory and the later operational stages, as well as opening bottlenecks within the Kingdom, helping with the supply of labour and fulfilling the enterprise's obligations under Saudi law, in particular to employees. The foreign partner is expected to provide training programmes, as well as management and technical expertise. Increasingly, he will be responsible for the import of labour from abroad.

## Taxes

At the end of the five-year exemption period, tax on company profits is levied at the rate of 25 per cent. on the first SR100,000, 35 per cent. from SR100,001 to SR500,000, 40 per cent. from SR500,001 to SR1m. and 45 per cent. for anything above SR1m. All legitimate business expenses and costs, including losses and depreciation, are deductible. Last year personal income tax on expatriates was abolished—on the grounds that it cost more to collect than it benefited the Treasury. And there are, of course, no restrictions on the remission of profits or earnings.

**Richard Johns**

**Saudi Arabia has become, like its neighbour Iran, one of the biggest markets in the Middle East. It presents great opportunities for the major exporting nations, including Britain, over a wide range of goods.**

# Big importer

THE PHENOMENAL growth of Saudi Arabia's trade in the past five years is without historical precedent anywhere. In this short period the country has been transformed from a relatively unimportant market, comparable to other powers of similar size in the Third World, to emerge as one of the world's major trading nations, whose monetary assets are second only to West Germany's. Imports grew at an extraordinarily rapid rate even before the petroleum price increases in the aftermath of the 1973 war, with the value of imports more than doubling inside the three preceding years. Since then the total value of Saudi imports has again doubled, and reliable estimates for 1975 put the value of imports at over £2½bn., which makes the country the most important market in the booming Middle East, apart from Iran.

Saudi Arabia's new five-year Development Plan for the period up to 1980 envisages that the present rate of growth of imports can easily be sustained; for even if oil revenues stagnated at the decreased level registered in 1975, by the end of the decade oil revenue receipts would still exceed import payments. In addition by that time the country should be earning substantial amounts from its investments abroad, as the surplus oil revenue is increasingly being channelled into longer term securities, which yield much higher returns than the Eurodollar or Eurocurrency bank deposits where most surplus funds were placed in the past. These investment earnings should provide extra cover for any shortfalls in petroleum revenue, and help finance long term imports, although it is likely that the level of oil output will rise in any case from the present 6.7m. barrels per day back at least to the level authorised by the Saudi authorities of 8.5m. barrels per day as the economic recovery in the major oil consuming nations gathers momentum.

The major foreseeable constraint on the demand for imports is not in fact monetary, but logistical, as continued expansion is dependent on Saudi Arabia being able to develop its ports and road system sufficiently to handle the rapidly rising volume of trade. For some time Saudi Arabia's busiest port, Damman on the Gulf, has been heavily congested, and recently the turn around time for ships has lengthened considerably to an average of 60 days as there are long waits to unload with port handling facilities severely stretched. A big expansion is planned for Damman however, with four new piers being constructed, while capacity at Jeddah will also be increased by building three more piers, and in addition a completely new port is being developed at Jubail at a cost of almost £140m., although this last will mainly serve as a naval base. When the work planned is completed by 1980 Saudi Arabia's main ports will be able to handle the 13m. tons of imports anticipated annually.

## Ports

Much of the work at present carried out on the ports is being handled by British firms. The dock group Scruttons, and its partner, the Mersey Dock and Harbour Company, have won a valuable two-year contract for the construction of transit and cargo storage sheds at Damman. On the other side of the Arabian peninsula at Jeddah the London-based firm of Sir William Halcrow and Partners are at present working on the second stage of port expansion. The reopening of the Suez Canal caught the Jeddah Port authorities unprepared, however, and they are now considering plans to extend the capacity of the port using temporary means in order to deal with the enormous increase in Red Sea traffic. John Laing Construction, a firm with long experience in the Middle East, recently told the Saudi Planning Ministry that they could use a Mulberry dock system to build an instant port at Rabigh, 100 miles south of Jeddah. The company estimated that work could be completed within 18 months of a contract being signed, although this opportunity to capture a large share of Suez transit trade may be lost unless agreement is reached soon.

Saudi Arabia has a very liberal policy on imports as might be expected given the country's enormous foreign exchange reserves and balance of payments surplus. Originally customs duties were imposed for Government revenue purposes, but with the growing oil royalties, this form of taxation is no longer significant. The 10 per cent. import duty which applied to most goods was reduced in 1974 largely as an anti-inflation measure, as imports play a major role in determining general price levels within the country. Some tariff protection has been granted to local infant industry, but this only applies to 29 commodities, mostly consumer items such as detergents, paper handkerchieves, and chocolate, where imported goods are subject to 20 per cent. duty. Cars and commercial vehicles enter with only a 3 per cent. tariff, and there are no duties payable on imported machinery or capital equipment.

Despite the openness of the Saudi economy, and the absence of trade restrictions, exporters often find the market extremely difficult to penetrate. Visiting businessmen usually find it best to secure a local agent, who under Saudi law must be a local citizen. The major banks operating in the country can give advice to exporters, and even arrange meetings for clients wanting to establish contact with Saudi traders who are experienced in handling imported goods. This type of service is provided by the British Bank of the Middle East and the First National City Bank in Jeddah, while in the capital and Damman, the Riyad Bank and the Arab Bank can give assistance. As Saudi Arabia produces few manufactured goods of significance, the country is dependent on imports for survival. Consequently there is an enormous range of imports, with manufactured goods accounting for over 70 per cent. of the total. Of these, machinery, electrical appliances and transport equipment form the major items, with the imports of machinery growing the fastest as the Saudi Government spends an increasingly large amount of its oil revenues on industrialisation in an effort to diversify the economy, and build up a modern manufacturing sector of its own.

British exports have been doing exetremely well in the competitive Saudi Arabian market over the last few years, with the country's share of the market increasing to almost 8 per cent. Not surprisingly, given the Aramco connection, the U.S. remains the chief import supplier with about one fifth of the total market, while Japan is second. However, despite Japan's intense exporting efforts, it runs a huge deficit with Saudi Arabia, which is still the main source of its oil imports. The U.K. has overtaken West Germany for once, and now ranks third among the leading Saudi suppliers, but the total value of its exports is less than half the value of Japanese goods. In fields such as medical supplies British firms are far ahead of their competitors, with Glaxo recently supplying pharmaceuticals worth over £1¾m., while the firm of Chas. F. Thakeray has won a substantial export contract for medical equipment.

There are tremendous opportunities for foreign companies to undertake contract work developing Saudi Arabia's basic infrastructure, as new roads, airports and telecommunications networks are being constructed under the country's Second Five-Year Plan. In the 1975-76 budget expenditure on communications was augmented by a further 154 per cent., and during the current financial year alone over £150m. is being spent. United Kingdom engineering firms have won many major contracts, and recent successful tenders include one by Mandar, Raikes and Marshall, of Bristol and Birmingham, for urban road improvement in the city of Hail, with Derek Lovejoy and Partners acting as consultant architects. The British firm with the longest experience of working in the Arabian Peninsula is undoubtedly Sir William Halcrow and Partners. Recently this firm, in addition to its involvement on ports and harbours, has been undertaking consultancy work on agricultural development and irrigation schemes. As a result of its successful participation in an irrigation project at Wadi Jizan, the firm has now been awarded a further £400,000 contract to undertake similar work in the Wadi Dummad area.

Growing export sales have led several foreign companies, which are already well established in Saudi Arabia, to consider setting up plants within the country to manufacture or assemble their best-selling product lines. The Saudis, keen to encourage such local operations, have adopted a very liberal investment code, which has now been in operation since 1964. This code guarantees free repatriation of profits, and a five-year holiday from income and company taxes on condition that the Saudi subsidiary is operated on a joint venture basis, with at least a quarter of the share capital held in local hands. Joint venture companies formed with Proctor and Gamble and Unilever to produce detergents have been operating successfully for 21 years, and now these industries can scarcely be considered as infant. The country's largest joint venture to date is the Saudi Arabian Motors Company, in which General Motors of Detroit hold 60 per cent. of the capital, with 40 per cent. locally subscribed. This new company has been licensed t[o] assemble 7,800 vehicles a year including Chevrolet trucks, [a] small number of buses, an[d] Torana cars, a highly successf[ul] Australian model. The paren[t] company, General Motor[s] hopes the value of its expor[ts] to Saudi Arabia will actuall[y] rise after the opening of [its] subsidiary, as it anticipates th[at] it will increase its market shar[e] which would mean great[er] sales of American vehicle com[]panies.

The opportunities in Sau[di] Arabia for exporters are clear[ly] enormous, and for once the pe[r]formance of British firms see[ms] very encouraging, with t[he] value of sales increasing by [a] staggering 250 per cent. in t[he] past two years, and the 19[75] total provisionally estimated [to] be worth more than £160m. T[he] U.K.'s trade deficit with Sa[udi] Arabia, however, was estimat[ed] to be almost £750m. for the ye[ar] just ended, a huge amo[unt] which indicates how far expo[rts] have to increase if this gap [is] to be closed. Nevertheless [a] start at least has been ma[de] with a growing number of fi[rms] cashing in on the Saudi exp[en]diture bonanza.

**Dr. R. J. A Wils[on]**

*Department of Econom[ics] University of Dur[ham]*

**One result of the country's rapid development has been to place a very heavy load on aviation facilities. This is a part of the infrastructure which is being given particular planning attention.**

# Aviation

AT ONE stage during the height of the recent Hadj, 95 extra passengers in Riyadh found themselves with boarding cards for an aircraft bound for Jeddah. The situation is not always as bad as this but next to hotel rooms, seats on aeroplanes are about the hardest thing to obtain for a traveller. Such is the increase of passenger traffic within the country that the main terminals of Jeddah, Riyadh and Dahran look more like overcrowded bus stations. Although Saudia, the national flag carrier, and the Civil Aviation Department (CAD) are coping manfully the whole civil aviation infrastructure is desperately overloaded and under tremendous pressure —reflecting as elsewhere throughout the economy the strains generated by rapid economic development and the massive influx of foreigners.

Improvements cannot be implemented overnight, and it would be wrong to expect too much too quickly of the CAD and Saudia. In the short term the strains are going to increase, but the authorities are confident that with the aid of massive investments in both installations, equipment and manpower the country will have a streamlined civil aviation operation.

## Technology

As it is, civil aviation is probably one of the few areas, outside the oil sectors, which has been exposed for a lengthy period (in Saudi terms) to modern technology. Saudia itself celebrated 30 years' operations in 1975, and has had jets in service since 1968. In 1973 for the first time it carried over 1m. full revenue passengers on scheduled services.

There are currently 20 airports in the kingdom which are served by regular air services. However, the principal routes are on the Jeddah-Riyadh-Dahran axis. Travel between these three airports, all now handling international traffic, comprises 90 per cent. of all traffic. This situation is expected to continue since these towns will remain the principal poles of development and population. The other airports are very small and frequently are shared by the military.

The broad aim over the next five years will be to concentrate on improving the facilities of Jeddah, Riyadh and Dahran, particularly the former two. The construction of a new international airport at Jeddah and others at Riyadh and Dahran will take up a sizeable portion of the $3.6bn. of planned investments during this period. Work has already begun on Jeddah's second airport, sited by the coast to the north of the town, and officials hope that it will be operational within three years.

The airport contract is worth over $300m. Design for the airport was carried out by the U.S. consultants Airways Engineering Corporation and construction has been awarded to the German group Hochtief. When complete it will have two runways, the longest being 3,800 metres. Two terminals [are] contemplated, one for nor[mal] passenger traffic and [one] for the Hadj. The Hadj fa[ctor] has been a determining one [in] pushing work ahead. [The] increase in the arrival of Ha[djis] by air—well over 1m. in th[ree] years time—will put enorm[ous] pressures on the existing E[...] terminal at Jeddah where [the] Hadjis land.

The Hadj itself makes [the] civil aviation picture uni[que] because in effect the CAD [has] to be able to provide facili[ties] every year for just one mo[nth] for a huge influx of aircraft [and] passengers. For the last E[id] in December some 300 airc[raft] a day were using Jeddah. T[his] is as though a country's tour[...]

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# SAUDI ARABIA XI

**The very rapid growth in banking activity over the past two years has left the banks struggling to adapt fast enough to the new level of business activity. There has been a reduction in the exceptionally high levels of liquidity. Admission of foreign banks has been on a very selective basis.**

# Credit hunger

LEISURELY pace of banking, even of two ago, has been brushed by the fast evolving ls of the economy. Such change that the time five back when the banks d without telex facilities distant history. Banking v begun a new and more icated phase. At present isting structure cannot quickly enough to the ng needs. Virtually all banks require larger es and more staff. The y are under-capitalised ot fully geared to the g need for medium and m finance. Apart from s almost trite to add that s is booming.

growth in banking has been rapid over the wo years but it really to accelerate last year. cs based on the Hijri ending July, 1975) show er cent. increase in the sets and liabilities of the system, moving from 1. ($1.7bn.) to SR9bn. .). This trend has ated during the current and the percentage could be even more tial than 1975. Meanmoney supply over the ar increased by 40 per

dramatic increase in ic activity has led for st time to a drop in cial bank liquidity, until now has been nally high. The in the demand for new as outpaced the increase osits. Total deposits d by 55 per cent. in the ri year while loans and s to the private sector by over 90 per cent. In terms deposits reached .. ($1.8bn.) and s to the private sector . ($1.3bn.). By comin the three-year up to 1973 bank credit d by only 9 per cent.

## ances

Riyadh Bank alone—one two purely Saudi combanks—saw its advances private sector move up SR232m. ($65m.) to . ($140m.) and deposits SR869m. ($245m.) to . ($485m.). This shows w liquid the banks still

estimated that import and loans for construcll take up 55 per cent. ommercial credits. Howincreasing funds are sought for property tion, the start-up of al ventures and now the on of existing busi- Many merchants are that normal cash flow or capital is insufficient ce expansion and so are to the banks. This the banks are having to tighter on guarantees. y has become an increasimportant form of r, though banks themare showing some wari- this trend. One bank r said he would accept only 50 per cent. of declared property value.

Banks are obliged to place 10 per cent. of their sight deposits in cash interest-free with the Saudi Arabian Monetary Agency (SAMA) which acts as the central bank although it does not perform all a central bank's functions. On time and savings deposits 5 per cent. is required to be placed. Deposits exceeding 15 times capital and reserves are subject to a 50 per cent. cash reserve with SAMA. Thus bank cash and deposits with SAMA have witnessed a major jump. Two years ago this item in the commercial banks' consolidated balance sheet represented only SR439m. ($124m.), whereas now it is SR1.63bn. ($462m.).

Currently there are two wholly Saudi banks, the Riyadh Bank and the National Commercial Bank. In addition there are ten foreign banks of which three (Arab Bank, Banque du Caire and Banque du Liban et d'outre Mer) are Arab and the remainder international—Algemene Bank, Banque de l'Indochine, Bank Melli, BBME, Citibank, National Bank of Pakistan and the United Bank of Pakistan. The two local banks are by far the largest and have the broadest deposit base but conversely the foreign banks have been more active in lending. With the exception of the Banque du Caire and Citibank no other foreign banks have been able to open branches in the capital, though they have done so in the Eastern province at Al Khobar and Damman. Thus they have had to operate out of Jeddah head offices. This has been deliberate policy on the part of the Saudi authorities.

The very select admission of foreign banks into the capital —in a country which permits foreign banks to operate—is one of the most curious features of the Saudi banking scene. Traditionally it made sense since virtually all business was done in Jeddah. However, the expansion of Riyadh and the huge revenues being disbursed by the Government has meant that more and more activity takes place in Riyadh.

Though Citibank considers itself aggressive in its approach to business, it nevertheless probably owes its position as the biggest foreign bank in the kingdom to its presence in Riyadh—and it was one of the last foreign banks to be allowed into Saudi Arabia. Therefore it is not surprising that the other banks are pressing hard for representation in Riyadh. How soon this will happen is anyone's guess.

The commercial banks are backed by four specialised institutions—the Agricultural Bank (interest-free mediumlending to the agricultural sector); the Industrial Development Fund; the Saudi Credit Bank and the Real Estate Development Fund. The last three have all been created within the past two and a half years. The Credit Bank is designed to provide interest-free loans with a ceiling of SR5,000 ($1,400) to low-income Saudis. In effect it is a means of distributing the income permitting poorer Saudis to purchase necessities with repayment in monthly instalments (although it is not clear how tough the bank is on defaulters).

The Industrial Development Fund was established with a SR500m. capital ($140m.) to offer medium- and long-term finance for industrial projects. Initially it offered 25 per cent. interest-free of the project finance but this has now been raised to 50 per cent. The Real Estate Fund with a SR250m. capital ($70m.) gives up to 70 per cent. interest loans for financing property purchase and development to encourage house construction. The problem with this bank is that so far many loans have been given but there are not enough houses to buy.

## Project

Thus there is only one specialised institution for medium- and long-term project finance. Of course one has to remember that the Government is responsible for almost 80 per cent. of local spending and this is done without any resort to local credit. But a growing need is being felt for more medium- and long-term finance by the private sector—most of the commercial banks admit they are not capable of handling this demand at present. Increasing the capital base, which most commercial banks are now doing (the BBME is raising capital to SR 35m.) in itself does not solve the problem.

Some feel that more banking institutions should be allowed to operate. The authorities have not been very clear on this matter. Chase, which has been trying for several years to enter the market, is still waiting for a licence for its venture—the Saudi Investment Bank. Meanwhile a joint venture between the Saudi Government and the United Bank of Pakistan — the Bank Al Jazira (35/35 with Saudi citizens taking the remaining 30 per cent.)—has been formed with a SR100m. ($28m.) capital. Initially this will concentrate on purely commercial operations but will move into industrial finance.

For foreign banks there is a big question mark over just how long their operations will remain without "Saudisation." There have been mutterings about Saudi participation for some time but so far nothing has materialised. Sooner or later a Saudi move in this respect is regarded as likely. On the other hand, the Saudis are pragmatic enough to realise that disruptions in the banking sector and loss of confidence by the international community through an ill-timed move is something to be avoided. As it is the two Saudi banks are becoming increasingly international.

These two banks have hitherto played little part in placing government investments abroad. However, they are now active in their own right, both in the Eurocurrency markets and in lending. There have been three rial-denominated loans totalling SR227m. ($64m.). The foreign assets of the commercial banks have risen steadily and at the end of the last Hijri year were SR2.2bn. ($631m.).

SAMA statistics, which were reorganised last year, now show an item under foreign assets as "due from banks abroad." The bulk of these assets—currently SR2.1bn. ($600m.)—consist of balances held with head offices, branches and other banks based outside the kingdom. These are usually in foreign currency but also contain rial balances and any lending to them. A smaller component of SR111m. ($31m.) consists of foreign currency, held by banks, and investment in foreign securities. It is significant that in early 1973 this component represented only $3.9m.

As part of its plan for an international role, the Riyadh Bank is a member of the Union de Banques Arabes et Francaises (UBAF) and is participating in the newly formed, London-based, Saudi International Bank to carry out merchant banking activities. The National Commercial Bank for its part is a member of the European Arab Bank and the Paris-based Banque Arabe et Internationale d'Investissement (BAII). The National Commercial Bank also has a close relationship with First Boston, which recently acquired as an advisor the former Italian Central Bank Governor, Dr. Guido Carli.

In spite of this new international orientation, the demand for credit at home and the general pressures from local business means that the commercial banks will look to their own doorstep first.

**Robert Graham**

# Aviation

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one year were all d into one month. To audia decided for the e to leave aircraft thus to minimise the disto its scheduled.

also considered vital to head with the building ame at Riyadh, since the is absorbing more and affic as businesses (and distantly all foreign es) establish representhere. Only one new airport is envisaged rom this, in the north k. Elsewhere priority given to improving facilities and switching civilian use of airports y shared with the . The Jeddah Flight Region will also be d to cover the whole kingdom.

ates for the expansion rnal travel have been upset by the slashing stic air fares. In August se were cut by 25 per r economy tickets and ent. for first-class. Fares ready low per kilometre s has now put frequent within the range of every Saudi. Clearly time being at least it g to be Government to provide cheap c air travel. To what this will conflict with determination to on a strictly non-subsidy basis remains to be seen. One of the principal objectives stated in the Five Year Plan regarding Saudia's operations is "maintain an operation free from the need for public service revenue."

## Subsidy

Since the latter part of 1974 Saudia has been operating without subsidy. In 1974 overall the Government subsidy was only $3.6m. against $12.79m. the previous year. For the past three years Saudia has moved out of the red. However, when the 1975 results are published it is believed the operating profit will be well down on the $9.1m. of the previous year. Although the airline enjoys certain built-in advantages like cheap fuel domestically and the Hadj (Hadj charters and Hadj royalties together make up 15.7 per cent. of operating revenues), Saudia is not immune from hefty increases in operating expenses. In 1974 operating expenses at $127m. were up almost 40 per cent. on the previous year.

Saudia now claims to have the largest wholly-owned fleet of aircraft in the Middle East. It is the first airline in the region to go in for the wide bodied Lockheed Tristar, placing firm orders for four with an option on two more. Currently it has taken delivery of two Tristars, a third will come this year and the fourth next year. The total cost of these four aircraft with spares and back up services will be just under $195m. In addition two more Boeing 707s have been purchased thus giving it four 707s, two 720bs and seven 737s. It has also leased two 707s from Ethiopian Airlines.

As is freely recognised, the limits to growth are not financial constraints. Rather is the problem one of manpower and infrastructure. Saudia operates under an ongoing management and service contract with TWA. Although over 70 per cent. of the 5,300 personnel are now Saudi, expatriates still play a key role and will continue to do so. Thus Saudia is not in a rush to open new services abroad. Last year a new service was opened to Abu Dhabi, and this year it is planned to open a Far Eastern service, embracing Singapore and Tokyo.

Until now, Saudia has concentrated on a very definite route policy. Given the kingdom's special role in the Islamic world, Saudia has seen itself primarily as an airline service linking first the Arab world, then other Islamic capitals. This has not prevented it from establishing links with Geneva, London, Paris and Rome but the Islamic emphasis remains, and the Saudis want to keep it that way.

**Robert Graham**

**During last year Saudi Arabia announced the guidelines for future expansion of agriculture. A reliable supply of fresh water—including desalination—is a prerequisite for this programme. The development of water resources is discussed on the next page.**

# Agriculture

1975 WAS a particularly important year in the development of the agricultural resources of Saudi Arabia for two important documents were published which will provide the guidelines for future expansion. First, in February, was the publication of the National Policy which establishes the Government's objectives in the development of agriculture, animal and fishery resources, as well as setting out a strategy for achieving these objectives. In July, the Second Five-Year Plan, covering the period 1975-1980, was published outlining the goals to be achieved over this period.

While less than 1 per cent. of the total SR498bn. planned expenditure has been allocated to agriculture, the agricultural sector will also benefit to a considerable extent from the large expenditure (SR34bn.) on water, for the future of agriculture in the Kingdom is dependent upon irrigation. Though there is a marked reduction in emphasis on agricultural expenditure, there will be, nonetheless, some major developments in the agricultural sector if the plan targets are achieved. These have to be analysed in relation to the National Policy and the substantial developments that have already taken place.

Quite apart from the increase in irrigated agriculture that has been achieved through such schemes as Al Hasa, Haradh and Wadi Jizan, dietary requirements have increased and also become more varied due to the rise in living standards. Consequently variety has been introduced into the agricultural pattern, particularly in the vicinity of the larger urban markets in the west (Jeddah, Mecca, Taif), around Riyadh and in the east near the oilfields, where horticulture flourishes. Recent estimates suggest that over 50 per cent. of the population are now urban dwellers and these people can afford the vegetables and fruit that are grown. However, there is also a greater dependence on imported foodstuffs such as wheat, flour and meat, while *additionally there are perhaps* 1m. foreign workers employed in the country on construction and development projects and these people require agricultural produce not always grown in the country.

The National Policy thus has three general objectives. First, it is encouraging the private sector further to develop food production, associated processing and also a marketing capability. Both processing and marketing are still weak in the country and are major factors in reducing the quantity, as well as the quality, of agricultural production available for consumption. A second objective is to improve the standards of living in rural areas to make them equally attractive to those in towns. A third objective is to try to predict the future needs of the kingdom.

## Objectives

In order to achieve these objectives, a comprehensive strategy has been devised. First and foremost, this involves increased output making the best use of the available water resources. At present, agriculture uses the greatest volume of water but much is wasted. In the centre and east of the Kingdom, irrigation water is *pumped from aquifers or* reaches the surface through springs such as those at Al Hasa oasis. Steps are being taken to rectify inefficient use of water. At Haradh, for instance, the 4,000 hectare scheme is to be converted to sprinkler irrigation while a British firm is modernising the irrigated agriculture around Al Aflaj. In the west, rain-fed agriculture is practised on the interior slopes of the mountains, but rainfall are erratic and crop mainly of cereals, uncert

A second element i strategy is to make the as self-sufficient as poss providing inputs for tural development. research is being underta determine the best varieties, fertilisers, in and agricultural techniq particular situations. F plants are being estal Equipment and ma manufacture is bein couraged and overseas trialists are beginni establish manufacturing the Kingdom. Foreign ment is welcomed not this aspect of agricultu also in the subsequen cessing and marketing

Thirdly, the private s to be encouraged and, assisted in the provisio facilities and services n to process and distribu cultural produce. Wh Government is currentl lishing slaughterhouse this involvement is rega being only temporary ultimate objective is such facilities over private sector.

Fourthly, the Gov will aid in the prov credit and subsidies farming and fishing con One of the major force ing agricultural deve in any country is fa provide credit to the f that he can modernise niques or improve hi This cannot be said to case in Saudi Arabia loans from the Agr Bank are reaching an ing number of farmers sidies amount to 50 per the price of fertilisers to 45 per cent. for m for co-operatives.

A final element is creased emphasis by t ernment on the provisio port services such as essential for the predi future needs, health co both animals and cro semination of informati keting surveys, etc. T absolutely essential if t dom is to achieve its intentions of minimi dependence on import stuffs and properly to the future. In partic Kingdom lacks the tech pertise necessary for the ambitious projects overcome this deficien initiating training and programmes in con with universities and

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# Desalination projects

WITH ITS scarce and unreliable natural water resources, Saudi Arabia has had to choose a technological solution to its water supply needs, namely the large-scale use of desalination equipment. Such development is now the responsibility of the independent Water Desalination Organisation. Formerly desalination projects were administered by the Ministry of Agriculture and Water. Although Saudi Arabia only entered the desalination field as a water producer in 1970, its progress in terms of installed capacity has been impressive.

The first major desalination plant was built at Jeddah and commissioned in 1970. It was of the flash distillation type with an initial capacity of 19,000 cubic metres a day. It forms part of an electricity generating complex, designed in such a way as to utilise the waste heat available from the power production process. Electrical power production capacity was 50 MW. Indeed it is now the policy of the Government that all desalination plants being built or planned in Saudi Arabia should be associated with electricity generating units so that the most efficient use can be made of available energy supplies.

Currently the largest desalination plant in operation is situated at al Khobar with an installed capacity of 28,500 cubic metres a day. This was completed in 1974. It will soon, however, be overtaken by phase II of the Jeddah plant, which when it is completed in 1977 will add an extra 38,000 cubic metres a day capacity of water and 80 MW of power production.

Smaller desalination plants are situated at al Wajh, Duba, Amlaj and Khafji. The total capacity of all these desalination plants, which were built during the First Development Plan, is about 50,000 cubic metres a day.

During its next five-year plan, Saudi Arabia is planning to invest almost SR500bn. in the development of its economy. Of this total SR34bn. is to be devoted to water and desalination projects, with by far the largest proportion being destined for the construction of desalination plants.

The Governor of the Water Desalination Organisation has recently stated that it is the policy of the Saudi Arabian Government to invest heavily in desalination plants while funds are available so that the future water supplies of the country will be guaranteed. As a result at the end of the current five-year plan (1975-1980), if building schedules are on target, Saudi Arabia will probably be producing more desalinated water than the rest of the world put together.

In the new development plan, beginning in 1975, desalination is planned to provide for the major water needs of the new urban/industrial centres along both the Red Sea and Gulf coasts. By the end of the plan, in 1980, it is hoped that the amount of fresh water produced from desalination plants will be in excess of 400,000 cubic metres/day. This is to be achieved by the further expansion of the Jeddah plant by 76,000 cubic metres/day, of the al-Khobar plant by 190,000 cubic metres/day and the Khafji plant by 19,000 cubic metres/day. A major new plant is also to be constructed at Yanbo with a water production capacity of 19,000 cubic metres/day. Wherever possible it is hoped to be able to inter-connect these desalination plants by a pipeline network so that a more efficient operating procedure for the plants can be devised in line with actual water demands.

## Capacity

Beyond 1980 still further projects are actively being discussed so that by the mid-1980s the installed desalination capacity of the country might well be in excess of 1m. cubic metres/day. This is truly a staggering total and would certainly make Saudi Arabia the largest producer of desalted water in the world. Indeed this amount of installed capacity is comparable in magnitude to the water production from a reservoir of the size of the large Kielder reservoir, at present being constructed for the Northumbrian Water Authority.

In the very long term some concern must remain as to the viability of the water desalination plants. First the expected working life of such equipment is relatively short, usually of the order of about 15 to 25 years, although technical advances may well substantially increase this. Inevitably the replacement of equipment means that large capital sums will have to be set aside in future development programmes.

A second problem is the cost of the energy needed to produce water by desalination. With the present plants in operation and those being built every attempt is made to use as much of the surplus energy which is generated as the result of electricity production as is possible. This, however, should not disguise the fact that energy requirements per cubic metre of desalinated water produced are high, and that the amount of such energy is not likely to be reduced significantly as the result of technological improvements, at least in the near future. At the present time, of course, Saudi Arabia does not feel that it is deficient in terms of its energy resources. Indeed large amounts of energy, in the form of natural gas, are wasted by flaring during oil production.

Eventually, though, as energy costs continue to rise, it would seem likely that desalinated water production costs in Saudi Arabia are likely to increase markedly relative to other costs. Once this begins to occur it will mean that fresh water will become an increasingly valuable resource, which will only be able to be utilised for purposes which produce a very high economic return, or else are essential for the functioning of society. Water for drinking purposes is an obvious example. Whether, however, desalinated water could continue to be used for any form of industrial or agricultural production as production costs escalate is a problem which Saudi Arabia will have to face in the future.

**Peter Beaumont**
*Department of Geography, University of Durham*

# Using up ancient supplies of water

DI ARABIA is one of the arid countries in the world, about 80 per cent. of the area receiving less than um. precipitation per year. ıe highlands of the south- annual precipitation in ss of 500mm. has been :ded at a number of ons, but the total area over h such values are recorded inimal.

e high summer tempera- , commonly in excess of , mean that evapo-transpira- rates are high almost where. As a result of this me aridity there are no nial streams in Saudi ia. Flash floods, however, g to the high rainfall inten- which can occur, together the low infiltration rates of soils, are of relatively fre- t occurrence in the western ands. When they occur they cause considerable damage ıe settlements and crops the floors of the wadis.

th such meagre surface resources, it is not sur- ıg that attention in Saudi ia has long been focused ıderground water reserves. ogeologically the country be divided into two edly differing regions. In vest where ancient igneous netamorphic rocks outcrop ıdwater resources are , and tend to be concen- l in alluvial deposits along nes of the major wadis.

the east a series of thick entary formations overlie asement rocks, and it is that huge groundwater ves are located. Eleven aquifers are normally fied in this sedimentary nce, ranging in age from Cambrian to Quaternary Water movement in the ırs is down-dip, towards ıst, with natural discharge ing along and beneath the s of the Gulf. In the n parts of the country the dwater sometimes reaches round surface inland to ce such famous oases as El

lyses of groundwater es, using carbon-14 dating ques, suggests that most deep groundwater entered quifer systems between about 25,000 and 20,000 years ago, and that relatively little water has been subsequently added to them. This suggests that the groundwater of Saudi Arabia is a non-renewable resource, such as oil, which once mined will not be replenished. Given the dependence of any nation on fresh-water resources, this would be an extremely disturbing fact if it were not for the sheer size of the groundwater reserves beneath Saudi Arabia. However, it must be realised that at some time in the future the groundwater resources will become exhausted if extraction continues.

The Ministry of Agriculture and Water, established in 1954, is chiefly responsible for water resource development in Saudi Arabia, and over the past decade has invested more than 1.5bn. Saudi Riyals in water resource and related agricultural projects. It enforces strict regulations governing the drilling of water wells, and as a result, very few problems now occur.

During the five-year development plan which has just ended almost 1,000 water wells have been sunk or repaired, and more than 20 small dams have been constructed mainly for flood control or groundwater recharge. The installation of new or expanded water supply networks was also begun in Jeddah and Riyadh.

## Practices

Quantitatively agriculture is the largest user of water in Saudi Arabia. At present the irrigated area is about 121,000 hectares, but it is hoped to increase this by a figure of 50,000 hectares if additional water supplies can be made available. The total volume of water used for irrigation in 1970 was estimated at 1.85bn. cubic metres, compared with 390m. cubic metres for oil-well injection and 170m. cubic metres for water supply to the larger towns. By 1980 the demand for irrigation water alone is expected to be in excess of 2.5bn. cubic metres a year. In an effort to reduce the overall water consumption of differing crop types experiments are being carried out to assess the efficiency of irrigation practices not in widespread use in Saudi Arabia.

The domestic and industrial supply of water is the responsibility of the Ministry of Agriculture and Water, the Municipalities Department and the Water Desalination Organisation. So far water supply distribution networks have been installed in a number of the larger towns and cities, but many sizeable settlements still lack piped supplies. During the current development plan (1975-1980) new or enlarged water supply projects are planned for Riyadh, al Kharj, Jiddah, Taif, Medina, Mecca and Hofuf.

Associated with the provision of piped water supplies is the very large rise in urban water demand, often at a rate of more than 10 per cent. annually in some centres. Daily per capita water demand still remains well below that of urban areas in the west, though the gap is narrowing rapidly. This coupled with the expected new demands for water as the result of industrial development means that it is essential to allocate the available water resources in as efficient a way as possible. With this aim in mind, it is proposed during the current plan that all households will have water meters installed so that economic charges for actual water-use can be made. It is also hoped to be able to draw up a National Water Plan and a National Water Code, which will permit a more rational use of the country's scarce water resources.

Despite the great advances which have been made in the supply of water to urban areas, it is obvious that resources are going to be strained yet further in the future as urban populations increase. Indeed, water demand from the six largest urban centres of Riyadh, Jeddah, Mecca, Taif Medina and Dammam is expected to increase by more than 150 per cent. between 1974 and 1980, to a total of about 550,000 cubic metres a day. The new industrial complexes proposed for Jubail and Yanbo will probably also require about 100,000 cubic metres a day by the same date.

To meet these immediate needs the Government has decided to continue with the development of ground water resources for those areas remote from the coast, even though it is recognised that in some cases this may well lead to a decline in the height of the water table. At the same time a massive programme to greatly increase the desalination capacity of the nation is to be pushed ahead rapidly. These plants will be concentrated almost exclusively in coastal locations, and it is in these same areas where the new industrial complexes are to be sited.

## Drainage

One of the largest development schemes undertaken so far in Saudi Arabia is an irrigation and drainage project at Al Hassa in the Eastern Province. Over 100 natural springs occur in the region and the basic problem has always been that excessive irrigation associated with inadequate drainage has resulted in a soil salinity build-up and a deterioration in agricultural productivity. With the implementation of the new scheme, which provides a modern irrigation and drainage system, it is expected that the cultivated area will be able to be increased from 8,000 to 20,000 hectares by the more efficient use of available water resources.

The largest single engineering works constructed is the dam on the Wadi Jizan in the southwestern highlands. The aim of this project is to store the summer floodwaters caused by monsoonal precipitation and make them available for irrigation. Once the irrigation network below the dam is completed an extra 6,000 hectares will be brought under cultivation alongside the existing 1,800 hectares of land.

For a number of reasons many of the larger agricultural development projects in Saudi Arabia have not been as productive as was hoped when the original planning commenced. Such difficulties were recognised by the Government some years ago and a much more flexible planning approach has now been adopted with increasing emphasis being placed on small-scale projects from which returns are likely to be high, as well as ensuring that the larger projects are made to operate efficiently.

To the present, water pollution in Saudi Arabia has not been of major significance. Some pollution of shallow groundwater resources has occurred around the larger cities owing to the fact that sewage systems have been primitive or even non-existent. By the end of the current development plan, 1975-80, all of the larger cities will have had modern sewage systems installed and so this problem should be eliminated completely. Another problem might well, however, replace it. This could be water pollution caused by effluent disposal from the new industrial centres which Saudi Arabia is proposing to construct at places such as Jubail. To prevent such contamination occurring it is essential that anti-pollution measures are passed and also enforced.

Given the vast financial resources which Saudi Arabia has at present available, with SR34bn. alone to be spent on water and desalination in the current five-year development plan 1975-80, there seems little doubt that Saudi Arabia can supply her water needs over the next decade or so. This should not, however, disguise the fact that Saudi Arabia's naturally replenishable water resources are minimal. Therefore, it is essential that every attempt should be made to use these precious resources as efficiently as is possible, even if that might mean not establishing certain prestigious industrial activities which have high water demands.

**Peter Beaumont**

# Agriculture

CONTINUED FROM PREVIOUS PAGE

institutes world wide. The University College of North Wales is involved in one such project at Al Hasa which aims at evaluating various types of livestock under Saudi conditions and determining the best types of forage.

It is against this background that the new Five-Year Plan must be examined. In terms of the total plan budget, the amount allocated to agriculture (SR4bn.) looks extremely modest, nonetheless, on completion, a radical transformation in the agricultural sector is expected. In particular, a 42 per cent. increase in irrigated land is planned from 120,000 hectares to 170,000 hectares and this area is often double cropped. This is of major significance since it is the irrigated lands, with control of water, which provide the biggest contribution to agricultural output. In the past, the size of holdings on the irrigated lands tended to be very small, usually less than 1 hectare, reflecting the wide ownership of date gardens in the traditional oases in central and eastern Arabia. However, the new lands to be irrigated will be large units using modern agriculture and irrigation techniques. In these new developments, Government will closely control water exploitation so that the country's scarcest resource is used most efficiently and to greatest effect. Where Government has been responsible for the development of new lands, it is prepared to grant leases on a long-term fixed time basis to qualified Saudi firms or joint-venture groups or even foreign firms if it is convinced that this is the best way of developing the resources.

## Rangelands

During the next five years there should be substantial improvements in the home-grown percentage of many staple agricultural products. In particular, there will be programmes established to make Saudi Arabia more self-sufficient in poultry, dairy products and meat. By 1980, it is anticipated that the Kingdom will be 68 per cent. sufficient in meat (compared with 59 per cent. at present), 87 per cent. sufficient in poultry (compared with only 22 per cent. now) and 50 per cent. sufficient in eggs (27 per cent. at present). Perhaps the biggest increase will come in milk production which now stands at 185,000 tons per year, but which should rise to 280,000 tons in 1980. The increase in meat and dairy production will involve greater and more effective utilisation of rangelands closely linked with forage production on irrigated lands.

The programme to be established will resemble that established in 1971 for wheat improvement. Benefits from this programme will be increasingly felt during the duration of the new Five-Year Plan for, at present, the country only produces 15 per cent. of its requirements and imports in excess of 300,000 tons of wheat and flour each year. By 1980, the Kingdom hopes to produce over 50 per cent. of its requirements. At present the wheat improvement programme has three basic elements—research, seed multiplication and extension. The research element consists of identifying and developing varieties of wheat best suited to the local conditions as well as determining the best techniques to increase production. Research is carried out under irrigated conditions at Dirab while research under rainfed conditions is undertaken at Abha. Seed multiplication is a basic function of the Dirab Research Station and both durum wheat (about 50 per cent. of the total wheat production in the Kingdom) and bread wheat varieties are being examined. Perhaps the most fundamental and far reaching element of the programme is extension. In 1974, 90 extension service employees attended a training programme prior to the establishment of over 170 demonstration plots which compared Mexipak varieties with local wheats. For the 1974-75 cropping season, over 900 tons of Mexipak wheat were distributed to farmers and this was estimated as being sufficient to plant over 10,000 hectares. Over the next few years the 60,000 hectares of land devoted to wheat cultivation will not increase greatly, but greater use of Mexipak and other varieties could more than double wheat production.

Thus, while the agricultural component in the Development Plan does not appear ambitious at first sight, the improvements that will be made are extremly significant. Also, allied with agriculture are developments in both forestry and fisheries. The sand stabilisation scheme at Al Hasa is both an amenity and a commercial operation as well as preventing sand blow and similar schemes are to be established elsewhere. For instance, British firms are engaged in preparing plans for shelterbelts and parks in western Saudi Arabia in the vicinity of Jeddah and Mecca. Greater attention, too, is to be given to the fishery resources and this is a sector in which there is considerable British participation. Surveys are being carried out and the Government plans to improve the economic and social welfare of local fishermen as well as increasing employment opportunities through processing, boat repairing and construction. Again, reduction of imports is a prime objective.

**Dr. J. H. Stevens**

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**Saudi Arabia is now beginning to build up its own shipping fleet, and at present it is likely to be able to do so at moderate cost. The country's ports are in urgent need of expansion.**

# Shipping growth

THE PAST 18 months has seen a sudden and dramatic acceleration in Saudi Arabian awareness of, and interest in, the shipping industry. The Saudi merchant fleet has traditionally been extremely small, despite the country's long coast-line. *Petromin's shipping subsidiary*, for instance, known as Petroship, has until recently had a fleet of no more than two elderly tankers, operated by a ship management company in the U.K. But the events of the past two years have completely transformed the country's approach to sea transport, and the development of a Saudi flag fleet worth the name is now a certainty.

The reasons for this reversal, which has been mirrored in other Arab oil producing countries, are pretty straightforward. With greatly increased oil revenues and a real desire to involve themselves in the downstream activities associated with their most valuable natural resource, tankers seemed like an attractive investment proposition to the Saudis. To make matters even more simple for them, the rise in oil prices coupled with the massive ordering spree for tankers during the boom year of 1973 have created an overcapacity situation in the tanker market which has slashed the price of tanker tonnage. Thus the Saudis are moving into the market at a time when many owners in the more traditional shipowning countries are desperate to unload ships wherever they can. Shipyards too are seeing their orderbooks sadly reduced by contract cancellations and are therefore likely to take a rather more flexible approach to new building deals. From the point of view of restoring a balance between supply and demand in the tanker market, it is obviously important that Saudi buyers look to the second market or resale contracts rather than aggravate the situation by ordering fresh tonnage.

Given this sort of scenario *some shipping experts have predicted* that the Saudis will move into the transportation of their crude oil and carve out a lion-sized share of the market for themselves, protected perhaps by preference legislation. This process, it has been argued, will provide salvation, temporary at least, for the independent tanker owners, who will be able to sell off their unwanted ships or contracts to Saudi and other eager Arab buyers.

But the experience of events so far suggests that a sudden massive increase is unlikely to develop. The biggest handicap quite clearly to an oil producing developing country, which is bent on building a fleet and has both the cargoes and the money to pay for the ships, is a lack of technical expertise and experience of ship operation. For a Saudi company which wants to build up a fleet of tankers or any other kind of vessel there are a number of options open. It can acquire a vessel and bareboat charter it out, leaving the entire crewing and operating process to the charterer. Alternatively, it can buy the expertise it needs, either by putting the vessel in question into the hands of a ship management company based in a traditional shipping nation, or by bringing in expertise of its own on an individual basis from the U.K., Norway, West Germany or elsewhere, which will provide the skills internally. The third option open to a would-be Saudi owner is to form a joint venture with one or more established shipping companies and pool resources.

## Rumours

Unquestionably this last option is the course of action which the Saudis favour. Already some seven or eight such joint companies have been established in the past 18 months and there are continuing rumours of further examples to come. In many cases the Saudi partner in the venture is an individual, often a member of the Saudi royal family. The foreign partners are often prestigious shipping companies or oil companies. The most recent co-operative venture to secure a licence from the Government is Saudinaft Tankers Ltd., a joint venture by P & O, Shell and the Saudinaft Corporation of Saudi Arabia, the major shareholder of which is Prince Khaled bin Abdullah bin Abdul Rahman, a cousin of the King. Saudinaft has a 53 per cent. stake, with the remainder divided between the other two partners equally. The new company will have an initial capitalisation of SR30m., and its declaration of intent is pretty representative of joint ventures like it. The plan is to acquire one or two tankers in the course of 1976 and a further couple in 1977. Later on the company may look at products tankers (significant since Shell has made real progress in the building of a refinery in the country—the only non-Aramco oil major to do so so far) and gas carriers, and perhaps dry bulk carriers and liners. The *participating companies* will have the first option on putting vessels from their own fleets into the venture. P & O has agreed to provide training for Saudi personnel.

A number of important principles are discernible in the company strategy which are repeated in most of the other joint ventures and tend to argue against the notion of a massive short-term expansion of the Saudi tanker fleet. In the first place the ship acquisition programme is extremely conservative, and the company clearly does not intend to saddle itself with a huge fleet before it has time to establish itself in the business. The same appears to be true of two other comparatively new joint ventures, the Saudi Arabia Shipping Company linking Saudi interests with Mitsui OSK of Japan and the Red Sea Saudi Maritime Company, formed between the Saudi Arabia Investment Company of Jeddah and another of the big six Japanese companies, Nippon Yusen Kaisha. In all cases, the opportunities are there for the non-Saudi partners to put their own tonnage into the co-operative company, and there is little evidence of intent to contract for more new buildings.

A second principle that seems now to be generally accepted is that the new companies are not intending to stick rigidly to the transporation of oil, either refined or crude. Indeed some of them are concentrating initially and even exclusively on dry cargo or the liner business. Somcol—the Saudi Orient Maritime Company—is a joint venture between Prince Mishaal Abdul Aziz Al-Saud and the Hong Kong-based Wallem and Co. It received the all important licence from the Government in February and has had an office in Jeddah since July. The new company plans to provide a liner service between the Middle East and Europe, quite possibly using ro/ro vessels to avoid the congestion in Saudi ports, which is currently causing delays of as much as 70 days. Somcol has applied for membership of the Europe-Red Sea Conference and fully intends to go ahead as a non-conference line if its ... cation is rejected. Another company, Saudi Maritime ... port Co. of Jeddah (the ... of the companies are so si... as to be virtually indistin... able) is planning a ... ferry service between J... and Suez under the name ... Ferries. The Arabian Ma... Transport Company, own... the Pharaon family of ... Arabia is intending to ow... operate small dry cargo v... and is rather an excepti... the overall rule since ... making use of a Europear... ping company, the ... Group, to manage the ship...

Veterans of the pilgr... which has taken the major tanker owners in Europ... many in Japan into ... Arabia in search of deals, that the process of conclu... lasting and satisfactory ... ment is a slow and pains... one, and there is no chan... quick killings.

## Tanker

Although there are sig... real growth in other are... will be in tanker shippin... the Saudi fleet will be chie... ployed. The exact size o... fleet depends on a numb... questions that as yet ha... answers. A preference la... quiring that 25 per cent. Saudi oil cargoes be carr... Saudi-owned tankers has established by royal decre... the details of how this v... enforced and what constit... Saudi-owned vessel have be clarified. It is clear th... Saudi tanker companies w... a lot of their cargoes fro... Government and not throu... traditional charter marke... how this will work rema... be seen. Independent ... owners are concerned abo... possibility that Saudi t... will have what they see ... unfair competitive advant... being allowed to buy b... fuel at subsidised rates. Saudis say however that th... ships which get special ra... bunkers now are those ope... *in the coastal trades.* W... nearing completion to pro... strengthened Saudi ma... code, very much along the ... of the U.K. code, and unt... is completed it is expecte... other flags will be used.

Saudi interests have link... with major oil compani... shipping ventures, both ... Shell in Saudinaft and als... Mobil and another U.S. pa... Fairfield Maxwell, in Sa... (the Saudi Arabian Ma... company) which has a... gone some way toward ... initial target of a fleet of a 900,000 d.w.t. of tanker to... But in estimating for the ... much depends on correctl... dicting the policy to be ad... by its own oil company, ... min, which has so far ke... plans very much to itsel... seems certain though that ... min intends to increas... tanker fleet substantially *with the growth of refinery* city in the country, it is k... to be looking hard at the ... of operating VLPCs (very ... products carriers) that benefit from the econom... scale in delivering refined ... the West and Japan. ... Arabia is also a particip... the OAPEC sponsored ... Maritime Petroleum Tra... Company, which has a su... tial amount of tanker tonna... order in European yards an... recently been active in secondhand market.

**Christopher Hay...**
*Editor, Sea...*

# Port congestion gets worse

SEVERAL HUNDRED ships are lying at anchor outside the ports of Saudi Arabia; their crews are faced with a long, hot wait and the worry that their cargo may deteriorate in the extreme heat and humidity. More than 90 per cent. of the Kingdom's imports are brought in through its ports, and this in practice means Dammam on the east coast and Jeddah on the west. Few of the other small ports handle much more than shipping traffic, though Yanbu and Jubail are marked out for major development.

Jeddah now has 14 berths in operation and Dammam nine; both ports are handling well above their planned capacity, Jeddah to the extent of over 60 per cent. This has not, however, been adequate to keep up with the sharp rise in shipping and severe congestion has built up at both ports in recent months.

The present Five-Year Plan noted some delay and congestion at ports during the previous plan and stated: "The implementation of much of the second plan depends on the ability of the ports to cope with this large inflow of goods." Nonetheless, within a few months of the start of the plan about 130 ships were waiting at both the two main ports and there appeared to be little hope of improvement.

Jeddah particularly was in a bad way for the backlog of 130 ships after Ramadan could not be moved before the pilgrimage brought heavy passenger shipping in December. By the end of December, 200 ships were waiting in her roadsteads and many pilgrims had yet to leave the country. The backlog is therefore expected to get worse during the coming weeks before it can begin to clear again.

In the autumn the average waiting time for ships at Saudi ports was more than 30 days and many ships were waiting three months. Cost of keeping a ship at anchor there was calculated at around SR17,000 (£2,400) per day. In Jeddah the situation is now far worse than in the autumn, while in Dammam—which has not been affected by the pilgrim traffic—it has eased somewhat.

The cost of these delays is passed on to the merchants who do not hesitate to hand it on to the consumer. Prices have been spiralling to such an extent that on December 30 the Government announced that it would underwrite demurrage charges for a selected number of commodities (such as flour, rice and sugar) for delays of not more than one month at the ports.

## Opening

The main reason for the congestion is, of course, the rapid increase in the country's imports coming before communications facilities could be extended to cope with the inflow. The pressure on Jeddah port was exacerbated by the opening of the Suez Canal, which brought a heavier flow of shipping from Europe and the tendency to off-load goods for the eastern province at Jeddah.

There is no likelihood of diminishing the amount of shipping, on the contrary it must increase, so the Saudi authorities have begun to look closely at the management of the ports, where there is leeway for improvement. Both ports have been seriously hampered by an unsuitable administrative set-up and this is now under review.

Dammam port has been managed by the Saudi Railroads but a new port authority is now being established to manage it and a new director, Mr. Faisal Sukhail, was appointed in the autumn. Jeddah port suffers from a more complicated administrative tangle in which authorities are not clear-cut. The port director, Dr. Kayyal, has recently been given complete authority to take any measures necessary to get the goods moving.

Restrictions on the employment of non-Saudis have meant that neither port has enough drivers for forklift trucks, cranes etc.; they must employ talley clerks who do not read English and so produce no daily report of goods discharged; and Jeddah port could not use its year-old radio network for lack of skilled Saudi personnel to run it.

Persuading importers to move goods quickly from the port area is a further problem for the port authorities. There is a chronic shortage of warehousing in the towns and although port warehousing rates have recently been raised 400 per cent. (from only a few pence per ton) they are still the cheapest available. A recent spurt of activity cleared a large number of barges from port roadsteads, only to leave the merchandise piled high on trailers on the quays.

Various solutions have been proposed or tried out, in an effort to mitigate the effects of the congestion. Foremost among them is a priority system for unloading certain categories of goods. Human passengers and livestock have top priority, followed by goods which are in short supply and those urgently needed for Government contracts. Pilgrim boats, for instance, were berthed immediately, and a fleet of pilgrim

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**One-half of the massive Second Five-Year Plan allocations is to be spent on construction, which in 1974/5 accounted for 21.8 per cent. of GDP. Already the strains on the industry are evident, largely because of port congestion and spiralling labour costs. The role of the foreign company and the controls the Saudis impose on them.**

# Construction the key sector

THE total expenditure [...]f Saudi Arabia's Second [...]ir Plan is breath-taking [...], perhaps the most re[...] and remarkable set of [...]s within it relate to con[...]. It is *estimated* that [...]anned *major* construc[...]grammes" will amount [...]bn. ($73bn.)—or no less [...]f the global allocation [...]ng to the official calcula[...]nother 15-20 per cent. [...]be allowed for capital [...]g on miscellaneous [...]

[...]n down, the figure ex[...]ed from various minis[...]d sectoral targets gives [...] for buildings—includ[...]bn. for schools, SR29bn. [...]ing, SR12.0bn. for hos[...]nd SR9bn. for military [...]R96.0bn. for civil engin[...] including SR46bn. for [...]alities, SR20bn. for [...]tion plants and SR10bn. [...]ways; and SR70bn. for [...]l plants including the [...] American Oil Com[...] investment programme [...] infrastructure of the [...]ndustrial area (though [...]ssociated housing, elec[...]eneration and water de[...]n).

[...] Arabia faces the task [...]plementing this pro[...] following a period [...]e construction sector [...] the fastest growing one [...] Saudi economy. Its [...] non-oil Gross Domestic [...] grew from 16.1 per [...] 1969-70 to 21.8 per cent. [...]5, recording an average growth rate of 40 per [...] real terms. The projec[...] that by 1979-80 it will account for rather more than 50 per cent. of non-oil GDP.

The various constraints to development and spending will interact upon each other over the next five years, but all seem *destined to focus squarely on* the crucial construction industry. Already, with the programme barely under way, the *strains* have become acute largely because of the shortage of labour and port congestion. They have been reflected in spiralling costs which have roughly doubled in the past year and must surely make nonsense of the escalation factors built into the plan's projections.

One outstanding example, though outside the public sector, is the new commercial centre with its twin tower blocks being built by the Ali Reza Brothers at the end of King Abdel-Aziz Street near the port. Two years ago it was estimated to cost SR.60m. Currently a figure of SR.80m. is calculated for the first (and smaller) block together with the shopping precinct and car park. Now, Mr. Ahmed Ali Reza believes, the total cost could be as much as SR.150-160m.

Pressure of demand, aggravated by port congestion, has meant that cement last November was costing SR.20 a tonne compared with SR.14 a year ago since when the world price dropped by some 40 per cent. The price within the Kingdom for a ton of steel reinforcing bars rose from the equivalent of $600 to $1,400 in the same period. Yet, across the board, it is the rise in wages which has been the main factor in the escalation of building costs.

For the administration, with ample funds at its disposal, the problem is not inflation but implementing the big public sector plants. Judging by its shortcomings and given the rate of progress so far, the administration cannot hope to award contracts fast enough to fulfil the plan's targets. This particular constraint could be a positive blessing in the opinion of some Saudis—if it leads to a proper ordering of priorities which would, for example, delay work on motor vehicle assembly plants in *favour of essential infrastructure projects*.

In this situation the Saudi Government has been more than happy to delegate immediate responsibility. The U.S. Corps of Engineers has for many years been acting as a super-consultant entrusted with the task of supervising the implementation of projects on the State's behalf—roads, ports and other civil engineering as well as military infrastructure. Currently, it is said to be overseeing work worth as much as $8bn. The World Bank, which now has an office established in Riyadh, was recently asked to assist in the appraisal of bids for a share in the Government's programme for building 100,000 houses.

## Gas system

Meanwhile, the Arabian American Oil Company acting as the agency of the Government is undertaking the colossal $8bn. gas distribution system prog.amme—in addition to its own oil exploration and development programme which has been set at $4bn. For the requirements of both, it has constructed three new jetties to bring in barge cargoes. For the gas system alone, it is building six new towns to house the influx of workers required—for which the catering contract alone, including different ethnic kitchens for the different nationalities, will be worth about $300m.

In terms of development what makes Saudi Arabia exceptional is the "mini-infrastructure" which has to be prepared by way of housing and associated amenities before the real substance of the plan can be carried out—a particular problem for foreign contractors. Increasingly, the Government is looking to them both to import and house labour. And this in itself imposes an additional burden on the contruction industry and the economy as a whole, as well as being the most burning social problem at the present time.

Prefabrication obviously has a big role to play: several factories, which will have a modest output of 1,000-2,000 units a year, have been approved. An expansion of cement capacity from the present 1.5m.-ton level to 10m. tons has already been licensed and the work on three of the seven new plants planned for 1975-80 (all of them in the private sector). The expectation is that output will reach about 8m. tons in 1980, ahead of consumption at about 6m. tons. The large number of licences applied for by the Saudi private sector in the construction field has been a response to the shortage in a very reasonable anticipation of big profits. For the next couple of years, however, domestic output cannot positively affect costs.

## Partnership

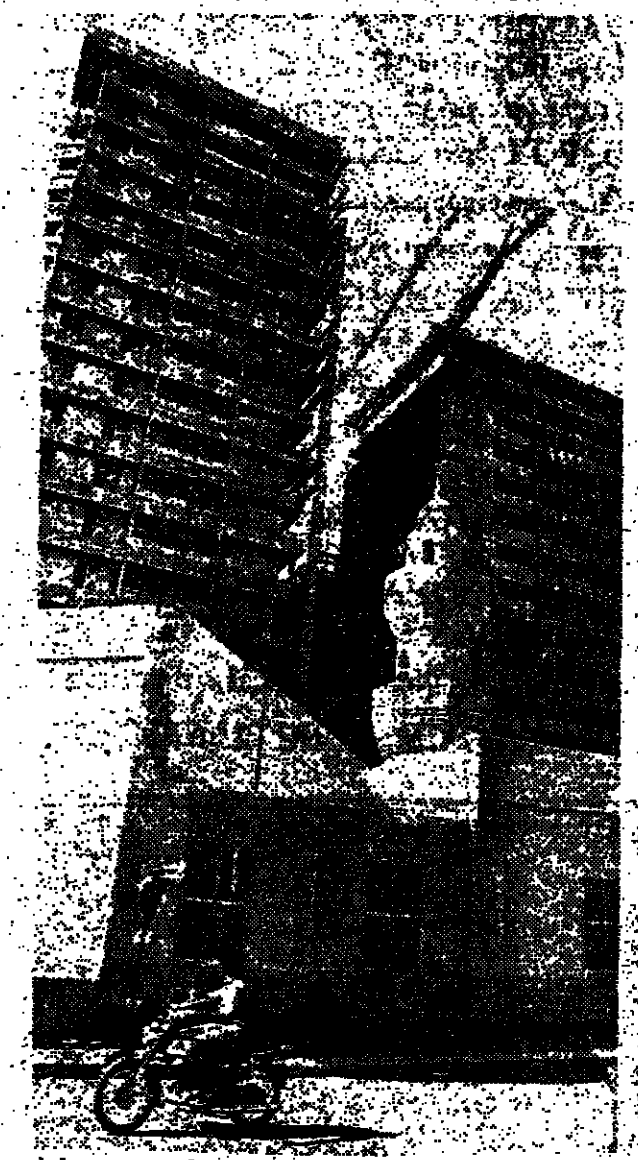
Although it has grown considerably in the past few years, the Saudi construction industry can only play a limited role in handling the big projects in the plan—except in partnership with foreign companies. Only a few like Bin Ladin in the Western Province and Abdullah Khodari in the Eastern Province can contemplate undertaking them alone. For the big foreign contractors, the prizes offered by Saudi Arabia look big but the profits may be very hard to come by in future.

With the world's gaze planted on Saudi Arabia, the contracting market is inevitably very competitive. At the same time, the inflation in costs and bottlenecks are especially serious in a country where the general rule is for the Government to negotiate a lump sum for a contract, although it is now prepared to offer fixed-fee contracts in line with the plan's recommendation. Several companies engaged in the Kingdom—including Hochtief of West Germany which is building the new Jeddah airport—are known to be suffering cost over-runs. Only recently has the Government begun to agree to built-in inflation clauses in some contracts.

In addition, foreign contractors have the difficulty of the 10 per cent. performance bond which must be lodged in a local bank and guaranteed by another in their country of residence. With the size of the projects now involved the requirement is particularly forbidding to British contractors—and also those of the U.S.—whose banks recoil at the sums involved and the open-ended conditions under which the Government can call in the bonds at its own discretion. With greater Government support and more amenable banking systems, French, West German, Italian and Japanese companies are in a more favourable position.

In practice, no one can recall when bonds of a reputable foreign contractor were called in capriciously or without good reason. The regulations reflect a tough Saudi attitude and determination that the country should not been cheated—born of early unhappy experiences at the hands of unscrupulous contractors. Nevertheless, the Government may have to show greater flexibility on this front, more speed of decision and general administrative capability if the vast construction programme, which lies at the heart of the plan, is to be anything like achieved.

**Richard Johns**



[...]dah mosque dwarfed by high-rise construction.

# [...]ongestion CONTINUED FROM PREVIOUS PAGE

[...] which arrived shortly [...] and was given priority [...]ng. The weakness of [...]em lies in the fact that [...]y urgent Government [...]s are needing their [...]f the half a million tons [...]outside Jeddah, for in[...] that their priorities tend [...]el each other out.

[...] ports are destined for [...]on under the Five-Year [...]ut this will hardly be [...]neous. By the end of [...]n, Jeddah should have [...] berths and Dammam 16; [...]ll be provided with extra [...] facilities. Meanwhile [...]oating quays are being [...] to Jeddah in an effort [...] the tide.

## [...]klog

[...] recently U.S. and British [...]ave been brought in to [...] and to help run the [...] The small American [...]y team arrived in the [...] and has had consider[...]ccess. They have helped [...] the backlog at Damman, [...] to ready access to high [...]ty able to take and [...] quick decisions. In [...] they have succeeded [...]pressing an oil pipeline [...] cut off access to new berths which have now been brought into operation; they have also been able to get the radio network working.

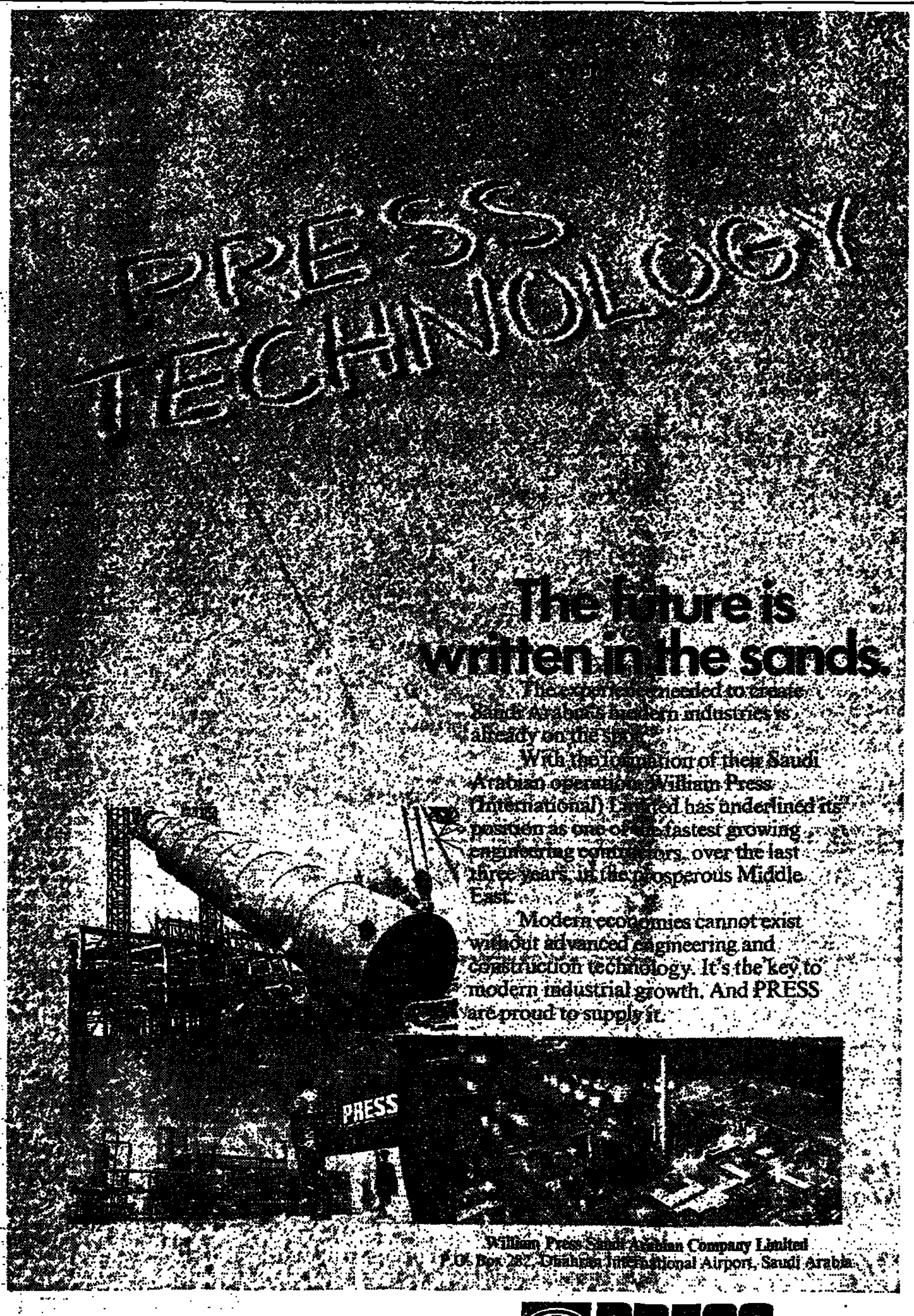
In the past few weeks British management teams have taken on the job of helping to run both ports. Gray MacKenzie have just brought a team into Jeddah port, and Mersey Docks and Harbour Company have one in Damman. Among the solutions which they are likely to try are those of streamlining the organisation of the ports, introducing more extensive shift work to make maximum use of available facilities, and more mechanical handling of goods.

There is talk of establishing new ports by rapid means on the east and west coasts; Rabigh, some 170 kms. north of Jeddah, has been mentioned as a possible site. The problems of the ports, however, go well beyond the harbour gates and can only be cured in the context of the economy as a whole. As Dr. Kayyal remarked, if he were to clear all the waiting goods from Jeddah port he would only be pushing the bottleneck further down the line. In practice it would probably not get far beyond his own gates, to which road access is quite inadequate. And if the goods did get past that hurdle there would be nowhere for them to be stored.

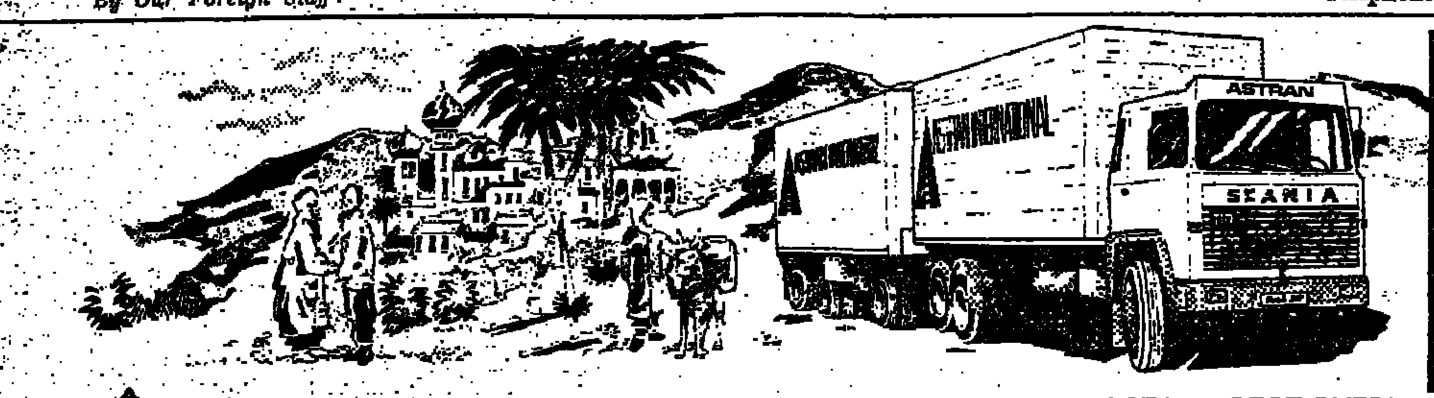
Importers are beginning to look for alternative means of transport but the recent increase in airfreighting has led to a formidable pile-up of cargo at the airports. Trucking also seemed an attractive proposition for smallish loads, with a 17 day journey from Europe, but frontier delays have begun to build up along the line and will inevitably grow longer as the route becomes more popular.

*By Our Foreign Staff*







**Both health and education are sectors in which Saudi Arabia is investing heavily, although criticisms have been levelled at the pattern of spending.**

# Health services

ONE OF THE ironies of fate was that the late King Feisal never saw the specialist hospital in Riyadh which is named after him. This hospital was a project in which he took a close interest but insisted on seeing only when complete. His death came only a few weeks before it was due to be opened. The 230-bed hospital, formally opened last August, is the symbol of Saudi Arabia's aspirations to provide the best in modern medicine and health care for the kingdom. It also highlights the problems which face Saudi Arabia in developing a modern health service virtually from scratch.

Although inaugurated in August the hospital has only some 30 beds currently in use and is unlikely to be fully operational before the spring. The hospital, managed through an ongoing contract with the Hospital Corporation of America, is generally accepted to be a unique experiment — designed and built without the usual constraints of cost to accommodate the specific needs of the Saudi situation. It is, for instance, highly automated to take account of the scarcity of skilled medical staff in the country. Admission is on a fee paying basis although there is a special committee which decides whether or not each individual should pay.

The hospital is not without its critics. To some the project is a huge white elephant and unjustifiably costly. Construction is believed to have cost some $800,000 a bed. They argue that the environment is just too sophisticated and many of the facilities will simply not be used properly because of lack of trained staff. These critics maintain that it would have been better to have started at the base, concentrating the effort and expenditure on small hospitals — rather than begin at the top. Perhaps it is too early to make such judgments. With so much to do it is hard to see where to begin and the hospital's proponents argue that a start had to be made somewhere.

At present there are 62 hospitals with just over 7,300 beds in all. In addition to this there are 215 clinic/dispensaries and a further 372 health centres. These are served by some 1,900 doctors and 3,934 nurses. The picture is to some extent distorted by agencies other than the Ministry of Health operating in this field — for example the military and the security forces each of which have their own facilities, employing some 520 doctors.

The new Five Year Plan outline candidly admits that efforts in the previous Plan were hampered seriously by lack of skilled manpower at all levels; organisational and management difficulties; inadequate information on the health characteristics of the country (for instance, it has been discovered that bilharzia is more prevalent than imagined); and a low level of enrolment and output of training schools in the kingdom (only 152 female nurses and technical assistants graduated in the Plan period).

One of the first steps under the new Plan has been to commission studies on the standardisation of design for hospitals. The British concern, Wallace Evans, was awarded this contract and has produced designs for five different standard types of hospitals. Wallace Evans is now going ahead with more detailed studies of individual hospitals. This will form the basis of the scheme to construct 97 new hospitals increasing bed capacity by 11,500.

## General

Within this framework there are expected to be seven large general hospitals of 300 beds each providing general hospital treatment in all the main centres of the country. In addition there are likely to be at least three new specialist hospitals (for instance, tropical diseases at Jeddah) again of 300 beds. However, there is talk of these now being expanded to 500 beds.

Outside this framework the Health Ministry seems prepared to consider requests for the establishment of private hospitals and clinics. The guidelines for this are not specific. However, in principle the Government has said that it will be willing to provide loans for up to 50 per cent. of unit costs.

Backing up the huge expansion in the hospital network will be an even larger one of clinic and dispensaries, mainly in the smaller populated centres. Their overall number will be increased from 215 to 427. Already the British Department of Health has drawn up a design for these new clinic/dispensaries. Parallel with this expansion will be the creation of a series of mobile health centres to penetrate to areas where it is not viable to have any fixed establishment.

According to the Plan guidelines total project expenditure through the five year period to 1979 will be in the order of $3.48bn. A further $1.4bn. will be utilised for recurrent expenditure. It is not clear whether this also includes expenditure on new hospitals for the armed forces and the security services but the answer almost certainly is not.

It is insisted that the Plan is only an outline, or rather an objective, which can be altered or adapted as circumstances require. At least one intended scheme has so far not materialised: This is a project to draw up a comprehensive study for a national health programme. The University of Michigan was at one stage invited to carry this out but turned it down after finding that the Saudis had rejected a Jewish member who would be involved. Since then other U.S. universities have shown themselves reluctant to become involved.

The hospital construction programme will have to overcome the bottlenecks within the economy. Apart from this much of the success of the plan will depend on an ability to attract sufficient trained nurse[illegible] doctors from abroad, [illegible] same time raise the Sau[illegible] cipation. Within the [illegible] medical graduates [illegible] turned out by both Riy[illegible] versity and the King Ab[illegible] University. By 1979 it is [illegible] that enrolment will be [illegible] from 258 men and [illegible] to 597 men and 214 [illegible] spectively.

As far as foreign ma[illegible] is concerned, the Sau[illegible] hoping to carry out [illegible] recruitment in South [illegible] There are reports of 5,0[illegible] Koreans being recruite[illegible] recruitment in itself is [illegible] a problem than retain[illegible] staff once recruited. [illegible] instance, many feel [illegible] restrictions on the inde[illegible] movement of wome[illegible] seriously hamper nurs[illegible] ment. This after all is [illegible] the main basis on [illegible] modern and effective [illegible] service is established.

Robert G[illegible]

# Education expansion

AS SAUDI Arabia embarks on probably the most ambitious development programme that any government has undertaken, it is torn between progress at all cost to create a modern industrialised state and society, and the preservation of traditional social and religious values. The conflicts inherent in this situation are nowhere more obvious and acute than in education and manpower training, which ranks third in the list of priorities under the new plan after physical infrastructure and economic resource development.

In no other country has education become such big business so rapidly. Over the next five years some SR80.1bn. will be allocated to this sector, 16 per cent. of total plan allocations, compared with only SR7.38bn. under the First Five-Year Plan (1970-75) when education nevertheless received 17.8 per cent. of total allocations, but was placed fourth in order of priority. The annual budget of the Ministry of Education will increase dramatically from SR2.1bn. in 1974-75 to SR11.5bn. in 1975-76. Total school enrolment will almost double during the plan period rising from 760,000 in 1974-75 to 1.3m. in 1979-80, involving massive expansion in the school building programme. Some 23,812 new classrooms and special-purpose rooms will be built over the next five years — a rate of between 90 and 100 classrooms every week.

## Impetus

The real impetus to the expansion of education in Saudi Arabia dates from the accession of the late King Faisal and the adoption of the First Five-Year Plan. Although the first Arab school was build in Jeddah in 1900, by 1958, four years after the creation of the Ministry of Education, there were only 20 schools in the whole country. At the end of the first plan in 1975 there were 3,438 schools. However, the building programme has been unable to keep pace with this massive expansion in enrolment. About half the schools are in temporary premises and need to be replaced by new, permanent buildings. In addition, schools in some of the more remote rural areas are in a poor state of repair.

The present pattern of schooling is six years elementary, three years intermediate and three years secondary. A kindergarten stage has been added recently but numbers are few and future plans have not yet been formulated in detail. The vast majority of students are enrolled at the elementary stage after which the pyramid becomes extremely severe with a ratio of enrolment between elementary, intermediate and secondary of 27 : 4 : 1. Moreover, in spite of considerable expansion in the elementary sector in recent years about one-third of the boys and two-thirds of the girls of elementary school age have not yet been enrolled. Classes throughout the educational system remain single sex with boys' education controlled by the Ministry of Education and girls' education supervised by the General Presidency for Girls' Education.

Under the new plan the aim is to enroll all six and seven-year-old boys in elementary schools by 1980. As a result student numbers will increase from 401,348 in 1974-75 to 677,458 in 1979-80. Some 846 new schools will be opened, 596 in rural areas. At intermediate level the plan envisages an increase in enrolment from 70,270 to 127,136 with the number of schools rising from 372 to 596. By 1980, 95 per cent. of students who successfully complete the elementary stage are to be enrolled in intermediate schools. The intermediate level is a crucial one for the supply of manpower to the economy. Graduates supply both the "general" secondary schools and the vocational secondary institutions which in turn provide graduates for university study, higher technical institutes and junior teaching colleges.

The secondary level for boys divides into "general," teacher training and vocational schools. By 1980 it is hoped to enroll 60 per cent. of intermediate school graduates in secondary education. The number of students attending "general" secondary schools is to double over the next five years from 20,000 to 40,000, and 37 new secondary schools are to be built. The secondary industrial schools established under the first plan have not attracted many students and only four of the proposed ten institutions are in operation—at Riyadh, Jeddah, Medina and Hofuf. Enrolment is well below the plan projections. Nevertheless by 1980 there are plans to build nine new industrial schools and to increase enrolment from 2,160 to 7,375 students. Agricultural education has been even less successful. The first agricultural technical school at Buraydah is still under construction and no work has been done on the other schools scheduled in the last plan. Under the new plan the Buraydah school is to open in 1976-77, and four new schools are to be built in 1978-79. By 1980 it is hoped to enroll 1,259 students.

In contrast, the secondary commercial programme initiated in 1971-72 has proved to be much more successful. The number of schools is to be increased from five to nine, and the number of students enrolled from 715 to 3,300 by 1980. Experience over the past five years has shown that vocational training leading to manual occupations is much less attractive to Saudis than secondary "general" education with the

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هكذا صدر الأصل

**The Five-Year Plan contains special provisions for the Bedouin nomads. This is a new approach in planning policy, and recognises for the first time the special needs of this scattered group of desert dwellers.**

# The Bedouin

E ARE about 630,000 s scattered throughout ingdom to-day, a diverse of sheep, goat and camel g communities. In the many of them were relawealthy and powerful, eir traditional sources of h (control over camel ort and trade routes) have of little use to exploit ew opportunities of the om's development. To-day, ic stock herding is a very and precarious life. The provide subsistence and generate sufficient cash to purchase the basic ities of grain, clothes ardware, and the nomads verything if their herds ecimated by drought or

only way they can e their wealth is by en- their herds, but the g capacity of the range s constraints. The range riorating rapidly in many of the Kingdom, due to mbination of poor rainer the last 15 years, open rights instead of restric- traditional tribal zones, notor transportation of to allow stock to utilise od grazing areas more vely, and the overall in the rural subsistence y. The result is that the of the nomadic economy king.

## bile

also difficult to provide on, health and social y services to a scattered population, even though e the most in need. The majority are illiterate, ll-health, and are poverty , but the nomads can eceive Government serwhen they visit the villages, and the adminis- of transitory clients is ated. A further problem the nomadic communities nce considerable outmi- of able-bodied young

vicissitudes are not ex- to nomads, but they o a greater degree and hence the Government's decision to make special provisions. However, these are in fact a continuation of long standing efforts to assist the nomads, with whom the Saudi Government has always had very good relations. There are close links between many nomadic sheikhs and Royal princes, and nomadic culture is held in high esteem for the classic virtues of hospitality, honour, honesty and valour. The Saudi Government certainly feels that the nomads have contributed much to the nation: it is pointed out that they suffer a hard life to utilise 90 per cent. of the land area, otherwise wasted, to supply over 50 per cent. of the demand for meat; many young nomads serve in the armed forces, and are migrant workers in the cities, so they are not regarded as a drain on the national resources, and the Government is anxious to provide all citizens with necessary assistance. At the same time, the Kingdom is seriously short of manpower for the present and future development programmes, and cannot afford to leave some 12 per cent. of its total manpower resources untrained and engaged on labour intensive, low productivity stock herding.

The nomads, for their part, are evidently keen to change their lifestyle—perhaps not without some regret for a glorious tradition of freedom and adventure, but certainly not without relief that the desperate hardships of life in the desert could be over. While a few clans have made the clear decision to change nothing, the nomads are by no means a conservative group. They are often accused of refusing to work with their hands, but the evidence is that they are as willing as anyone to undertake hard labour if the rewards are sufficiently greater than those from herding. When feasible, many have changed from herding the traditionally high status camels to the commercially more valuable sheep, many have become farmers, roustabouts in the oilfields, and not a few hold senior positions in Government services. Overall, about 5 per cent. of the nomadic population are settling in villages and cities each year, a constant diminution which has been in process for over 20 years at varying rates. The great majority exchange the life of a poor nomad for that of a less poor peasant or unskilled worker, but while this casual drift means that many nomads are improving their living standards, it is still a relatively inefficient transfer of human resources and development of nomadic communities, which the current plan seeks to improve.

In the past the Saudi Government has adopted the policy of agricultural settlement as the means to assist the nomads. Most of the projects had mixed results: some were successful agricultural schemes but did not attain their social objectives (such as Haradh), others produced stable communities but inefficient agriculture. It is evident that the current Plan is adopting a cautious approach, and does not rely on any formula to deal with the problems, rather, it establishes the guidelines and the administrative machinery for future development programmes.

## Wasting

The Saudi Government has long recognised that the risks of wasting valuable water, of deterioration of the range, and of disruption of community life, preclude any hasty action, since the desert does not tolerate a margin for error. Hence one basic guideline is that nomadic development should have an economic rather than a welfare basis, which reflects a determination for national long-term economic viability, and also a concern that nomadic communities should not deteriorate into "reserves" with redundant inhabitants dependent on social security benefits.

The Plan has the very important innovation of a Unit for Bedouin Affairs, within the Ministry of Interior, which will undertake extensive research programmes before devising ways of assimilating the nomadic communities into the mainstream of national life. This Unit is likely to have a crucial role in linking the work done by the individual Ministrie (Agriculture, Health, Education and Social Affairs in particular) with the provincial administration system, so that the various programmes can be combined into a whole strategy for the nomads. Top priority is to be given to a series of projects to improve the range, such as grazing controls and fuel substitutes for scrubwood, while the stock rearing is to be improved by fattening units on irrigated land, some to be run by co-operatives based on traditional kinship groups. Top priority is also awarded to programmes for health, education and adult literacy, which will be provided both in the rural service centres (villages frequented by nomads) and by mobile units. Great stress is given to communication of any proposals to the nomads, both by consultation with the sheiks and public information services.

The tasks of providing for the nomads and integrating them into the national economy are considerable, and the Saudi officials in Riyadh and the provinces are fully aware of the problems. But the Plan is comprehensive, cautious and flexible, above all backed by the political determination to assist the nomads, and considerable experience of doing so, hence there is certainly hope for their future development.

**M. J. Gray**

# Education

CONTINUED FROM PREVIOUS PAGE

possibility of continuing at university level, of studying abroad, and eventually of obtaining a job in Government service.

The education of girls in Saudi Arabia has expanded rapidly since the early 1960s in spite of opposition from conservative religious leaders. On one occasion the late King Faisal had to call in the army to open a new girls' school. At present there are some 938 girls' schools with 256,318 pupils.

The most remarkable expansion has taken place at elementary level, and post-elementary education has not developed as comprehensively. Under the new plan school places are to be provided for at least half of the girls of elementary school age (6-12 years) bringing the total enrolment to 353,400 by 1980. Some 500 new schools will be opened to accommodate this expansion in student numbers.

Saudi Arabia suffers from a desperate shortage of qualified teachers, and classes, particularly at elementary level, are often overcrowded. Only about half of the teachers in elementary schools are Saudi nationals; many are graduates of the former intermediate level teacher training institutions and require further training. At the intermediate and secondary levels the proportion of expatriate teachers rises to some 63 per cent. and 82 per cent. respectively; the vast majority come from Egypt and Jordan, and many of the Jordanians are Palestinians who have taken out Jordanian citizenship. With the rapid expansion of post-elementary education, Saudi Arabia will become even more dependent on expatriate staff—a situation which must continue for some years to come.

At present, male teachers are trained in 16 secondary level teacher training institutes which contained 9,093 students in 1974-75. By the end of the new plan, five new institutes will be built with a total enrolment of some 12,000 students by 1980. The plan estimates that the number of graduates from these institutes during the next five years will be sufficient to meet the demand for approximately 13,000 additional elementary teachers. Also, the plan aims to set up five post-secondary junior colleges which will eventually replace the secondary institutions for the training of elementary teachers. The new teacher training programme for girls envisages a complete phasing out of the intermediate level teacher training programme and the rapid expansion of secondary level institutions. There are plans to introduce a two-year post-secondary programme to train teachers for intermediate schools.

Total enrolment in higher education reached 15,598 in 1975, and over the next five years the new plan envisages a dramatic increase in student numbers to 53,300 by 1980. Saudi Arabia's oldest university is Riyadh which now has colleges of Arts, Commerce, Science, Pharmacy, Agriculture, Engineering, Education and Medicine. The colleges of Medicine and Pharmacy are already located on the new Ad-Dir'iyah campus, and by 1980 the other colleges will be rehoused in new buildings on this site. Student numbers are to rise from 5,638 in 1974/75 to 10,500 in 1979/80. King Abdul Aziz University was originally a small private college in Jeddah but has now been taken over completely by the Government. There are five colleges — Education, Sharia, Science, Arts and Economics and Administration—three in Jeddah and two in Mecca. Two additional colleges—Engineering and Medicine—will be completed in Jeddah in 1976. During the next five years a new campus will be constructed at Mecca and work completed on phase one of the construction programme at Jeddah. Student enrolment is planned to rise sharply from 3,737 in 1974/75 to 11,600 in 1979/80.

The University of Petroleum and Minerals was established at Dahran in the Eastern Province ten years ago. Two of the faculties prepare students for degrees in mechanical, electrical, civil and chemical engineering. A third offers chemistry, mathematics, geology and physics degrees. The university will continue to expand during the next five years and student numbers will increase from 1,497 in 1974/75 to 2,650 in 1979/80.

Since 1970, women have been able to take a four year degree course in the Girls' College of Education at Riyadh, and in a second college opened at Jeddah in 1974. These facilities are to be expanded during the new plan and a College of Arts established at Riyadh. Total enrolment is planned to increase from 1,801 to 6,500 during the plan period. The women's section of the College of Medicine at Riyadh is also to be expanded in order to enrol some 214 students by 1980.

In addition the Islamic University at Medina and the Imam Mohamed Ibn Saud Islamic University at Mecca are to be developed into major centres of religious education with a student enrolment of 15,167 in 1980—approximately one out of every four students in higher education.

Post - graduate programmes are still in their infancy in Saudi Arabia's universities, and expansion of higher education during the next five years will be primarily at undergraduate level. Consequently, some 2,000-3,000 Saudis will continue to study abroad every year.

Outside the formal educational system, the Institute of Public Administration is greatly to expand its in-service training programme for Government employees, while the Ministry of Labour and Social Affairs is to create 11 new vocational trade training centres bringing the total number to 17. The aim of these vocational centres is to train young men in a variety of manual skills for jobs in either the private or public sectors. In the past these centres have not proved as attractive to applicants as their academic equivalents and it is unlikely that the plan's ambitious aims will be realised. All Government ministries and agencies also have some form of in-service training for employees, mainly in administrative and technical skills. In addition, in a country where illiteracy is still widespread a massive expansion in the adult literacy campaign is to be mounted during the next five years aimed particularly at an increase in the total enrolment of women.

## Framework

While it is clear that Saudi Arabia's educational system is to expand very rapidly during the next five years, there remain serious weaknesses. These ambitious plans have been formulated without the necessary framework provided by up-to-date and detailed population figures — the results of the 1974 population census are not yet available. A dislike of manual occupations and a marked preference for general and university study leading to Government employment is a major problem in a country where the lack of a skilled and semi-skilled workforce is the greatest limiting factor in the economy. Equally important, in spite of a massive effort to educate Saudi girls, few enter the labour force at the end of their course because few jobs are open to them. Although under review, teaching methods are highly formalised throughout the system, and the same curriculum and textbooks are laid down by the Government for schools throughout the Kingdom. There is a high drop-out rate beyond elementary school level, even though all education is free. Doubts must also be raised that the strong emphasis on religious education and throughout the system on the intrinsic values of Islam will encourage the development of mental attitudes appropriate to an industrial society. Unless solutions can be found and implemented, heavy investment in education and training may fail to provide Saudi Arabia with the quality and diversity of manpower to meet the Government's long term objective of a diversified economy with maximum Saudi participation.

**Dr. Richard Lawless**
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# SAUDI ARABIA XVIII

**As the host country to the millions of faithful from all over Islam making the annual pilgrimage to Mecca, Saudi Arabia has won warm praise for its care and organisation of this most important religious event.**

# The Pilgrimage

IF THE provisional estimates of the number of Muslims making the annual pilgrimage to Mecca in December 1975 are correct, the grand total was around 2m. The most astonishing aspect of the *hadj* in recent years has been the rapid increase in the numbers of pilgrims from outside Saudi Arabia, which has more than doubled from 608,000 in 1973 to 1.4m. in 1975. A further half million or so join the pilgrimage from inside Saudi Arabia. The 1975 *hadj* began on a Friday, thus constituting an important "Grand Pilgrimage," and this undoubtedly explains some of the increase. Another factor favouring large numbers in recent years is that the *hadj* occurs in winter, but by the end of the century it will again fall in summer when the fierce heat of the sun by day makes conditions almost unendurable. Nevertheless the scale of the pilgrimages in 1974 and 1975 exceeded all expectations, and could well mark the beginning of a series of influxes on a scale unprecedented in 13 centuries of the *hadj*.

## Televised

An official forecast estimated that the number of pilgrims could reach 2.5m. by 2000 AD, but this was clearly a huge underestimate. Islam is still one of the world's great religions and its 500m. followers are obliged to make the *hadj* at least once in a lifetime, provided that they are in good health, and have the means to do so. With an annual increment of over 12m. Muslims, the potential increase in pilgrim traffic is clearly considerable. At the same time, knowledge of the *hadj* is spreading as never before. In 1974 some of the *hadj* was televised and shown live in various countries of the Islamic world for the first time, and the emotional impact of this was very considerable. Similarly, year after year the Saudis are warmly praised by distinguished Muslims and Heads of State for the meticulous organisation and improving facilities on the *hadj* and these are given full publicity in the media, doubtless encouraging others to make what was traditionally an arduous and dangerous adventure.

**Pilgrims from abroad 1945-75**

| | |
|---|---|
| 1945 | 37,630 |
| 1950 | 107,652 |
| 1955 | 232,971 |
| 1960 | 253,369 |
| 1965 | 283,319 |
| 1970 | 406,295 |
| 1971 | 431,270 |
| 1972 | 645,182 |
| 1973 | 607,755 |
| 1974 | 918,777 |
| 1975 | 1,400,000 (provisional) |

The present trend began in the 1960s largely as a result of improved transport and communications, particularly the introduction of charter flying. The proportion of pilgrims arriving by air has increased from 15 per cent. to over 50 per cent. in 20 years, and in the three weeks prior to the pilgrimage, flights arrive at Jeddah Airport at the rate of 120 a day. Another reason for the growing popularity of the *hadj* is the remarkable improvements which have been made in recent years for the accommodation, transportation, health and security of the pilgrims. The Ministry of Pilgrimage and Religious Endowment works all the year round to prepare for a month of intensive activity during the season of the *hadj*. In 1974-75 the Ministry was allocated a budget of SR457m. (£62m.). During the past decade the Government has also invested many millions of riyals in port and airport improvements at Jeddah, which functions as the gateway to Mecca for the majority of visitors. Hundreds of kilometres of highway have been constructed between the towns of Jeddah, Mecca and Medina. "Pilgrim cities" have been established to accommodate arrivals by sea and air, and the famous mosques at Medina and Mecca have been enlarged and renovated. Contracts have recently been signed for 2,000 buses costing SR260m. (£35m.) to transport pilgrims between Jeddah and the Holy Cities. The Economist Intelligence Unit and Transport Management Services of London are helping establish a Saudi Transport Company to be responsible for the transportation of pilgrims. Another interesting project currently under discussion is a road from Mecca and Medina along the anciet caravan route via Hail to Iraq. This, and similar improvements in communications are contributing to the greater number of visitors, as well as facilitating their movements inside Saudi Arabia. On the other hand, the reconstruction of the famous Hijaz railway which was interrupted in 1967 and never resumed, now seems very unlikely. Talks about the railway are reported to be in progress from time to time with Jordan and Syria, but the project appears to have fallen from favour in Saudi Arabia.

A number of projects have also been implemented to relieve congestion at the most sacred sites associated with the *hadj*. These sites must be visited on particular days by every pilgrim wishing to make the *hadj*, and only specified areas of the sites are deemed to be properly sacred. Thus there must eventually be an absolute physical limit to the number who can complete the pilgrimage, without breaking with tradition or changing the whole character of the sites, or even extending the *hadj* to more than four days. Meanwhile much is already being done to alleviate congestion. A temporary bridge of 1,300 metres long has been erected at Muna village for example, to facilitate the ritual of stoning the "devils." A complex of eight roads has been built to link Mecca and the Plain of Arafat 24 kilometres away, together capable of carrying about 70,000 vehicles at the same time.

The provision of living accommodation for pilgrims is also a formidable task. Each year the Plain of Arafat is covered by a vast tented city, complete with its own electricity generator, water supply, shops, and municipal administration. Two emergency hospitals and 22 temporary clinics are installed, staffed by over 400 doctors, many of them Muslim volunteers from outside Saudi Arabia. The huge camp is laid out in a grid system with each block being attended by national guardsmen, welfare workers, and boy scouts. Helicopters and ambulances can be summoned by radio at a moment's notice in an emergency. The potential dangers of such accommodation were dramatised in December, 1975 by the tragic deaths of 138 pilgrims, when fire swept through their tents following a gas bottle explosion.

In spite of all the effort and expense to cope with the growing scale of the *hadj*, the exceptionally large numbers are clearly causing concern. In 1975 King Khaled Ibn Abdul Aziz generously asked members of his own family to refrain from performing the pilgrimage to help make room for others. The Higher Pilgrimage Committee also urged Saudis "to give a living example of their sense of responsibility" by leaving the *hadj* to those who have not performed it before, allowing them to do it "in ease and comfort." Meanwhile much tighter official control is being exercised in a number of spheres, particularly for the benefit of non-Saudi pilgrims. A number of regulations concern the powerful guides who have traditionally been responsible for all the needs of groups of pilgrims, usually from the same part of the Islamic world where their own families originated, sometimes many generations before.

The *hadj* has also become increasingly expensive to perform in recent years which has caused hardship for visitors from some of the poorer Islamic countries. The provision of cheap accommodation, and the probition of rent increases have been among measures introduced to control the cost of the *hadj*. Although the *hadj* itself lasts only four days, most overseas visitors remain for periods of up to one month, visiting Medina where the Prophet is buried, as well as Mecca. Taking into account local transport, guides, food and accommodation for one month, a non-Saudi pilgrim can easily spend £150-£200 in addition to the cost of transport to and from Saudi Arabia. Indeed each year a number of destitute pilgrims have to be repatriated at Government expense to avoid the gradual accumulation of a large population of penniless pilgrims around Mecca and Medina.

## Unity

The *hadj* has always been a vital element in the life of the Islamic world, and its current popularity will do much to strengthen the political and religious will of Muslims everywhere. In the early middle ages the *hadj* brought together Muslims from as far apart as Spain and Central Asia and this did much to create a sense of unity among the faithful. The friendly exchange of ideas fostered the spread of commerce and knowledge, and from the ninth century onwards a large number of itineraries and topographical descriptions were published by scholar pilgrims such as Al Ya'qubi which contributed much to the sketchy knowledge of the world. In the same kind of way the modern pilgrims are disseminating first-hand knowledge of a rapidly developing oil-rich State, where traditional Islamic values survive. The impact of this experience on the massive scale now in view must be incalculable.

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**Like many other sectors of the economy, property development is very much in its infancy in Saudi Arabia. Given the limited nature of social programmes, growth is unlikely to see an early quickening.**

# Property

CONSTRUCTION IS everywhere to be seen in Saudi Arabia, but how much property activity is there? Like many of the other services and techniques coming into the Kingdom to-day, property is very much at its beginnings. Developers clearly exist, bringing land into economic use by organised purchase, construction and re-sale within more-or-less well-known market circumstances. To talk of investors on the other hand—either in terms of operators attempting a deliberate investment view, or of specific private sector investment funding—is hardly yet possible.

The framework in which urban development is occurring has a number of specific features. The municipalities of Saudi Arabia are effectively part of the Ministry of the Interior; centrally chosen local notables assume executive role with the authority that comes easily in a stable society. However, the shortage of skilled manpower affects development administration as much as any sector, so that the few Saudi engineers and graduates move on to the opportunities of the private sector: the continuity and accumulation of experience vital to consistent planning tend to be lost from the start.

## Watering

Until five years ago town planning meant "urban beautification" — road alignment, asphalting, the planting and endless watering of central reservations. In 1970 this was expanded by the appointment of consultants as regional advisers to the Ministry of the Interior: Condelis in the eastern, Doxiadis in the central, and Robert Mathew Johnson-Marshall in the western region. In Jeddah since 1971, RMJM has not only undertaken a regional study with town plans for the six major centres, but are also involved in the training of the municipal planning office itself. Comprehensive planning with a virtually non-existent data base meant almost four years' work in order to produce existing conditions survey, master plan and detailed action plans for the kingdom's commercial centre, Jeddah, whose current population exceeds 420,000.

The legal background to property can be surprising. To a traditionally non-urban nomadic society, the notions of fixity and ownership of land long seemed irrelevant, thus the practice of survey and written title are recent introductions. Apart from the futileness where oral title to individual property was common, all land is otherwise royal land and the practice of royal gifts—freehold transfers for nominal sums—largely explains the distribution of ownership to-day. Importantly, only Saudi citizens may acquire full title to real property in Saudi Arabia. This process of transfer from royal hands to individual ownership is illustrated by a sale of land near Dammam in 1975. Three Saudi entrepreneurs purchased 25 hectares for a reported SR60 a square metre from a princely owner who had received the land at the token price of about SR3 per square metre. After dividing the land into the lot sizes authorised by local planning regulations and publicising the proposed highway and access plans, the partners auctioned the land to private Saudi buyers in a single day's sale for prices of up to SR350 a square metre.

In contrast to the apparently indifferent attitude to land noted earlier, however, freehold and leasehold tenure now exists in the form known in English law. Furthermore, the ground lease exists even in the traditional koranic law of *Shari'a*. A number of developments have been carried out in recent years on a ground-lease basis *(hek'r)* with more or less foreign participation. Given the exclusion of foreign ownership—not even long-resident non-Saudi Arabs have been able to own real property—ground leases could become the means of enabling the foreign participation that is now increasingly being sought for major property developments.

Why is foreign involvement sought—"finance" or "expertise?" Curiously, it is not only the latter which is lacking. Land speculation in the past two years has left many modest owners of land locked into their purchases, with initial gains rendered undevelopable due to the explosion in construction costs. Even in the case of one sophisticated contractor-developer in Jeddah buying land with *judicious care*, the speed of recent price increases has meant selling uncompleted structures for purchasers' completion in order to provide cash for continued land purchase. In the big league, it is often the sheer size of the proposed project which makes foreign involvement necessary for both reasons cited, as in the case of a \$150m. development comprising hotel, office and commercial centre intended for the middle of Riyadh.

The financial context of property is limited. The Saudi banks have not only to deal with

CONTINUED ON NEXT PAGE









ارشيف الأعلام

**Daily life can be something of a struggle for expatriates, but the financial rewards are high. Housing is a major problem, they are expected to work hard, the climate is difficult, alcohol illegal and women subject to restrictions. But jobs are challenging and the country virtually free from crime.**

# Expatriates

...STMAS Day many of ...iate families in Saudi ...ere lazing on the ...f the east and west ...t as they do any other ... and Friday in the ...e temperature was a ...5 degrees F and the ...rmer than a heated ...me. Sailing, water ski... ...thing are available to ... monotony of sun bath... on the west coast ... along the coral reef ...he finest in the world. ... the thousands of ...d other westerners ... temporarily made ...s in Arabia, life is not ...s this picture of week... ...ould imply. For eight ... the year the climate ...ely hot and exhaust... ...ost expatriates would ...escribe their lives as ... of a struggle.

...oment large numbers ...ers are pouring into ...y to help with the am... ...ve-Year Development ...e are now over 7,500 ...idents and more arriv... ...veek. During the Plan ... Saudi government ex... ...nport half a million ... with the skills Saudi ...ks.

## ...ne

... problem which new ...st face is that of find... ... Houses and flats are ...e the sudden increase ... has led foreigners to ...with Saudi couples ... home of their own ... the extended family ...d prices and building ...sing at a phenomenal ...nts along with them. ...s ago a good three... ...illa could be found ... SR30,000 per year ... year ago the rent ... villa had risen to ... to-day one must ...000 to SR90,000 in ...re in Riyadh, and ...rising weekly, even ...ions take place.

...ctor of an organisa... ...ch had recently ... many new staff was ...t they had actually ...heir accommodation. He immediately apologised that his information was out-of-date since he had been hiring homes in September. Then he had paid up to SR35,000 for three-bedroom flats and SR50,000 for a flat in a two-storey villa. To-day, he said, one large company was authorising paying up to SR70,000 for a good modern flat.

At the luxury end of the price range rents of half a million riyals have been recorded, and good four-bedroom villas in residential suburbs cost around SR150,000 to SR200,000. Security of tenure is far from guaranteed.

Once installed in his home the householder faces a constant struggle to keep things working. Wiring, plumbing and telephones resent the hot and humid climate, lack of precision in their installation, and constant development works which disturb supply lines under the streets. If the lavatory works, ten to one the air conditioning (on which life hangs in summer) does not. Diligence and some Arabic may eventually get the air conditioner mended, but next week the hot water system or the gate bell will be out of action.

The householder's task is made more difficult by the fact that his wife is unable to play the role in running home and family which she did in England. In Arabia women are highly restricted. They are not allowed to drive and there are no buses which women can take. So shopping, finding services and technicians, taking children to school or to visit friends, all fall on the man of the family. Some firms provide drivers, though usually only for senior staff; and a driver's wages, which have recently risen to over SR1,000 per month, make employing one an expensive luxury for the average family.

Women are also affected by the social restrictions of Islam which require that they be modestly covered. In practice this means wearing ankle length dresses outside the home, with short sleeves and relatively high necklines. They will be mildly pestered when walking in all but the main streets.

Other Islamic restrictions which affect the foreign population are those relating to pork and alcohol. Both are prohibited and no pork or pork products are available in the country. Importing pork or alcohol is an offence; travellers found with any alcohol at the airport must watch it being ceremoniously poured away down the lavatory. It can be obtained in practice, at a price (£20 for a bottle of Scotch whisky on the black market) but its consumption must be discreet.

## Lonely

Social clubs are not favoured and foreigners generally feel the lack of somewhere in which to meet people and spend a relaxed evening. This is a severe handicap for new arrivals who may spend many lonely months before getting to know people. A few sports and drama clubs flourish in the cities but their presence has been condoned rather than authorised.

The same is also true of the schools which the foreign community have organised for their younger children. There are a number of these in various languages, the largest having been established by the Americans. Schooling is generally up to 11 years, though American originated schools take children up to 14. There is pressure on places in these schools and it is wise to book before reaching Arabia; some children have had to miss a term's schooling while waiting for a place.

The Saudi Government has decided to establish International Schools under Government control in the main cities and has donated land. These schools will provide western education by expatriate staff, but are still in the planning stage.

"Working conditions provide a challenge for foreigners. Visa requirements are stringent and it can take time to get one's permits in order. An exit visa is needed before leaving the country. Work is hard despite the enervating heat. Leading Saudis work extremely long hours and many expatriates find themselves working late alongside them.

Work can also be frustrating. It requires persistence to get things done and, as one businessman put it, the solution to any problem tends to be to "ask the *hawaja* (foreigner)." Many however find their work stimulating and enjoy the excitement of rapid development. A contractor's wife said she scarcely saw her husband since he spent nine or ten hours a day at work, but that he enjoyed work more in Arabia than he had at home.

Expatriates enjoy the financial rewards also. Rising costs may eat into their returns, and any contract which requires them to pay for their own accommodation should be considered very carefully, but salaries are high and free of income tax. The average family can leave the country after three or four years with a welcome nest egg. And the Saudi Government gives a substantial financial incentive to its own foreign employees who stay for five years.

Wives too can find profitable employment and many do. A secretary can earn SR3,000 to SR4,000 per month; teachers and nurses are in demand and those who can do their own thing in arts or handicrafts find a ready market.

The foreign community may be starved of cultural and recreational opportunities but they are free from financial worries and relaxed about spending. They are also free from anxiety about wanton violence. One young expatriate mother said she felt Arabia was the safest place in the world in which to rear her children. Prompt and ruthless justice eliminates the fear of kidnappings, rape and murder, and there is little burglary.

Above all, the expatriates are living among an indigenous community whose inate politeness helps smooth many of the raw edges of rapid development and close contact with an alien and little-known culture.

*By Our Foreign Staff*

# ...operty

CONTINUED FROM PREVIOUS PAGE

...e question of interest ... are also prevented ... regulations from ...rticipation above 10 ... in property projects ... holding a property ...xceeding 20 per cent. ... plus reserves. The ... specialised property ... the private sector, ...ssibly to the growth ...ent structures cannot ... be foresen in the ... future.

... finance is common at ... of activity, although ... few very wealthy ...mpletely finance their ...opments. *Shari'a*, with ...ription of "neither ... borrower be," is pre... ... here. Jeddah's next ...l centre, where two ...18 and 34 storeys re... ... will rise from a ...el podium capable of ... itself more than ...uare metres, is reputedly being financed by the oldest of all methods—in cash.

If the Saudi banks have offered building finance which, in a period of wild construction cost increases, appears limited at 50 per cent. of land value, foreign banks have been more forthcoming. In Riyadh, First National City Bank considers lending for development period plus five years if the borrower will put up 30-40 per cent. equity. The "commission" on such lending has been 7-8 per cent. in 1975—while the maximum term granted to date is eight years. Longer financing or an ultimate investment take-out is not always a necessary condition—to date the assignment of a five-year lease by a foreign user, creating as it usually does an advance payment of one or two years' rental, has meant that the lender is paid out in three-five years.

The Government solution to the twin problems of immediate liquidity and longer-term lending is the Real Estate Development Fund. Decreed in July 1974 and launched in May 1975 with a capital of SR2bn. ($450m.), the fund will provide 70 per cent. of building costs for individual private dwellings, or 50 per cent. for apartment buildings or multiple compounds, for periods of 10, 15 or 20 years. Three commercial banks have been asked to administer the scheme, which makes no mention of interest, in the absence of available Civil Service manpower. Although the Fund will unblock small proprietors lacking building finance, its immediate effect may be more noticeable on building costs, where material and labour imports are now reaching physical limits of expansion.

Three principal areas of development can be considered. On the Gulf, Damman-Dhahran presents an artificial situation in that the completeness of Aramco's development over the last 40 years, including the creation of complete townships, leaves a relatively small pace for other Saudi private or commercial development. In the Central Province, Riyadh is still intensely traditional, having proportionally fewer foreign residents than other major centres and remaining, in terms of real estate, very much in royal hands. In the west, on the contrary, Jeddah is still the most open of Arabia's cities. It is probably here that the greatest activity and the longest opportunities exist.

## Ownership

Residential property is by far the most active at all levels. Massive foreign immigration combined with uniquely Saudi land ownership necessarily make this a letting market. The pressure of demand has caused rents to double once from 1973 to 1975 and almost to double again on some re-lettings within 1975 itself. Major foreign contractors have found that advance payment for apartment buildings and villa compounds by two or three years means certainty of accommodation and less risk of rent increase, while for the developer the 20 to 25 per cent. annual return becomes a reality. Middle and lower income Saudi city-dwellers are also often tenants, for since condominium ownership has not yet been introduced they are unable to become flat-owners.

Finally, the absence of control of use means that many apartments are in office use whether in central or in outlying "residential" areas. The Jeddah town plan specifies both use and density, and conformity is begining to appear in new areas. Greater problems will doubtless be experienced as central redevelopment occurs, for in the centre distinct financial, professional and commercial areas have already evolved.

Office property is a less certain sector. Office accommodation must be quite considerably superior in its services and position in order to attract tenants from existing space. "Prestige" finishes are difficult to achieve under current building conditions and are not even particularly appreciated by users. The first realisation of this type in Jeddah was long in letting. In the short term over-supply is even a possibility—compared with an average annual demand of 8-10,000 square metres foreseen by the planners, one of two buildings in the banking area will alone provide some 17,000 square metres of space early in 1977.

The low-rise extensive development of cities such as Jeddah and Riyadh give interesting possibilities to stopping space. The traditional villa with its walled garden is pushing Jeddah northwards at a rate which has made decentralised shopping appear over the past three years. The first supermarkets are far from perfect; this type of retailing could doubtless benefit from foreign participation and expertise. Commercial warehousing is the other area which could benefit from expertise in a country importing increasingly complex goods and material under appalling climatic conditions. Whereas Jeddah's major importers will build as owner-occupiers, the many smaller businesses in this intensely commercial city probably represent an important rental demand to which, despite planning designation and improved road access to the port, no response is yet apparent.

**Christopher Pike**

**Following a visit by Mr. Callaghan, relations with Britain are now better than they have ever been.**

# U.K. relations

RELATIONS BETWEEN Saudi Arabia and Britain are now on a better footing than they have ever been. The official visit to London in October by Crown Prince Fahd bin Abdel-Aziz, the First Deputy Premier, and the complementary one to Riyadh by Mr. James Callaghan, the Foreign Secretary, should mark the start of a new era. A concrete expression of it will be the British liaison office which will be opened in Riyadh later this month under the memorandum of understanding on economic, industrial and technological co-operation signed last year in London during Crown Prince Fahd's stay.

At the very least it could be seen as marking formally the passing of the cloud of suspicion and resentment that had concentrated heavily in the late King Feisal's mind for a number of reasons: Britain's role in the Palestine mandate, its defence of Abu Dhabi and Omani interests during the Buraimi crisis, the scuttle from Aden, and apparent U.K. connivance at the Iranian occupation of Tunbs and Abu Musa islands in 1971. At the same time, the Saudi Government's reservations about the Labour Government and the Party's close links with Israel and the Zionist movement appear to have been eased.

Mr. Callaghan regarded the trip as the first one by a Foreign Secretary devoted primarily to the promotion of British business and sales—a recognition of the importance of Saudi Arabia as a market and as an oil supplier, as well as U.K. indebtedness. In 1974 the Kingdom supplied 32 per cent. of Britain's crude requirements at a cost to the balance of payments of nearly £1.14bn. and in the first 11 months of 1975 about 25 per cent. worth nearly £800m. U.K. exports in the corresponding period were £119.7m. and £172.2m.

Whatever the residue of political ill-feeling it was not sufficient to prevent a steady development of commercial and other relations between Britain and Saudi Arabia. The U.K. was Saudi Arabia's second supplier behind the U.S. for some years before it was overtaken by Japan in 1969 and in third position before it fell behind West Germany in 1974. The export performance generally was boosted by the £120m. air defence contract awarded in 1967 to a consortium made up of the British Aircraft Corporation, Associated Electrical Industries (which became part of GEC) and Air Work Services.

## Underwritten

The deal was superseded and extended in May 1973 on a Government - to - Government basis, with BAC as the main contractor, under a new arrangement which was then valued at £250m. and described as the largest single export order won by Britain. The level at which the agreement was concluded was significant. Certain aspects of the implementation of the original one had gone awry and the Saudis wanted its successor underwritten at State level.

Since the energy crisis forced the industrialised countries to court the oil producers, Saudi Arabia has shown its liking for agreements on economic collaboration which, it is hoped, could involve the full weight of Western States in expediting its development programme. A relevant factor here would have been the Kingdom's long and satisfactory arrangement with the U.S. Corps of Engineers which has taken responsibility as a kind of super-consultant for the supervision and carrying out of many civilian, as well as military, projects.

Without doubt the Saudi Government expects most from the agreements on joint co-operation with the U.S. concluded in May 1974 under which the Treasury is acting as Washington's agent. It resulted last November in accords on the supply of electrical equipment worth $57m. and technical assistance valued at $9.8m. for agriculture. The U.S., it should be noted, is optimistic that it will obtain at least 50 per cent. of the estimated $45bn. foreign participation that would be required in fulfilment of the $142bn. Second Plan. However, Congressional moves directed at discrimination against Israel and Jews involved in Saudi contracts could be a real bar.

## Draft

Saudi Arabia also signed collaboration agreements with West Germany, Japan, Italy, and France in advance of the British memorandum (which had existed in draft form since the beginning of 1975).

The first meeting of the Anglo-Saudi joint commission will take place in the near future. The idea of these bodies is to identify where the industrialised country concerned can assist the Kingdom and mobilise its private or public enterprise. On the Saudi side there is, as one Western diplomat put it, a certain "suck-it-and-see" attitude. As for Britain, Mr. Callaghan did well in terms of personal and public relations with his proposals that Britain should build an "instant port" to relieve congestion at Jeddah on the west coast and taking further plans for the U.K. constructing a school for handicapped children.

Conscious of Britain's shortages of capital for investment abroad, Mr. Callaghan laid the emphasis on technical assistance. It remains to be seen just how much business will result from this approach. For their industrial development the Saudis are looking to foreign partners to take an equity participation. In general Saudis point to the lack of aggression of British companies and of prominence in the lists of those bidding competitively for projects. In the future, of course, trade performance will be governed largely by success in winning contracts, particularly on the infrastructure side.

It must be recognised that contracting in Saudi Arabia is a somewhat hazardous business especially now that the major bottlenecks of manpower shortage and port congestion are playing havoc with cost projections. Compared with their competitors from West European countries, British companies are at a particular disadvantage because of the reluctance of their banks to guarantee performance bonds and advance payments, both of which can be recalled arbitrarily by the Government. The uncertainties and contract terms are such (despite signs of greater flexibility) that companies are advised to begin in a modest way as sub-contractors or with work supervised by the U.S. Corps of Engineers.

Laing and Wimpey are well-established in their partnership with Ali Reza Brothers. Others like Fairclough and Kilpatrick (electrical installations) have a good foothold. Yet generally their involvement contrasts with the predominance of British consultants in Saudi Arabia who have done more for the image and reputation of this country—Sir William Halcrow's for Jeddah port and the Jubail industrial area; Ewbank and Partners for the desalination programme; Preece Cardew and Ryder on electricity projects; Wallace Evans for the health services; Robert Matthews, Johnson, Marshall and Partners for the planning of the Western region and the infrastructure for pilgrim facilities; Ove Arup for the Riyadh and Mecca hotel and conference centre projects.

If industry and contracting paralleled their activity, then the U.K. would be Saudi Arabia's leading supplier.

**Richard Johns**

**SAUDI ARABIA'S LEADING SUPPLIERS**
(millions of $)

| | 1973 | 1974 | Change % | —First half— 1974 | 1975 | Change % |
|---|---|---|---|---|---|---|
| U.S. | 441.96 | 835.20 | 55 | 352.83 | 537.48 | 52 |
| Japan | 388.80 | 676.90 | 74 | 235.52 | 609.96 | 148 |
| W. Germany | 126.00 | 285.96 | 126 | 114.48 | 242.31 | 113 |
| U.K. | 142.92 | 280.92 | 96 | 126.21 | 204.99 | 62 |
| Italy | 77.76 | 133.32 | 72 | 60.90 | 114.42 | 61 |
| France | 56.04 | 120.12 | 114 | 51.33 | 88.68 | 72 |

Source: OECD Monthly Bulletin of Statistics.

**Doing business with Saudi Arabia, while it can certainly be profitable, is not easy. A lot of homework is needed before starting. It is essential to visit and revisit customers and Government officials to build up friendship.**

# Talking business

SAUDI ARABIA is one of the few countries of which it is true to say that money flows like water, or indeed more freely than water since there is precious little of that commodity in this totally desert country. Business there is the magnet for the world, as its richest developing country struggles to spend the revenues from its only natural resource on the multifarious needs of its public and private sector development.

The Saudi Government is committed to the encouragement of its private sector wherever possible, so it is right to start here. Its business methods are those traditional in the Middle East, and the successful businessman is the one who is ready to visit and revisit his customers, building up the acquaintance, friendship and trust which is the basis of trade.

This is easier said than done, for the physical barriers to be overcome are daunting. Hotels are overcrowded and the booking system unreliable. Confirmed bookings count for little in the nightly struggle for a bed, or even a sofa in the lounge which can be the new arrival's lot.

In business discussion the Saudi businessman is likely to show himself highly price and delivery-conscious. The market is not very sophisticated; if British quality is still well regarded, experience of late delivery costing the Saudi merchant penalties for delivery delays to his own governmental customer have made him wary. Nevertheless, Britain's share of the market is still around 10 per cent., equalling that of West Germany but way behind the U.S. and Japan. And for that, meeting delivery dates will require increasing ingenuity, with a two or three month delay at the ports and signs that the overland route through Turkey is beginning to clog up.

The second time will be easier. The merchant has become a friend, and soon he is looking after hotel problems and welcoming the arriving traveller at the airport. So let him know, by telex for preference, that you are coming, even though Saudis are not good correspondents and may not necessarily reply. Or the visit may be reversed for the Saudi is an inveterate visitor to London in the hot summer months, and as much business can be done at one end as the other.

When business is on a substantial scale it will be time to open an office in the country. This can be expensive. Rents are high and rising—£10,000 a year is now the minimum for a flat. The demands on an expatriate and his family can be tough. But there is no better way of keeping an ear to the ground and developing the contacts essential in Saudi Arabia. An office elsewhere in the area is no substitute and indeed many merchants will attach more weight to the man from London than from, say, Beirut or Dubai.

But the big money will be coming from the public sector. The governmental decision-taking procedure is slow, cumbrous and devious. Contract conditions are laid down by law, and offer difficulties for many British suppliers and contractors. Fixed prices are demanded even for contracts for services extending over many years and, while easier perhaps than it was, it is still difficult to get supplementary payment for factors beyond the supplier's control—including the Government's own failure to come up with decisions on time.

The toughest problem of all, however, is securing a Government contract in the first place. It is far from clear in whose *hands the powers of decision* lie. The Government is still firmly wedded to conventional procedures, whereby a consultant draws up a tender document which forms the basis for bids from a short list of tenderers. But thereafter the going can get rough. The Ministry's technical staff need to be convinced, Ministers canvassed, and the support of the many—princes and commoners—in a position to influence the decision enlisted.

The principles of success are, however, the same as in the private sector: properly, preferably glamorously, presented proposals of course; and assiduous cultivation of all those involved. Directors of successful companies have spent weeks, or months, holed up in the hotels of Riyadh in order to call on a Minister or senior official for a friendly cup of tea or coffee every two or three days, to remind him of their existence.

It is here that the role of a Saudi friend at court, b agent or partner, is all-im ant. He is the contact, indeed the relationship the decision-taker which be essential to securing a tract. For this his perce of the action may need substantial, and this m course be allowed for in t price.

The selection of the age thus be all important, an way of finding a suitable o be to ask, not too direct advice of the senior e concerned. They might business on their own a and they will certainly who has their Minister's

## Consortia

"Turnkey" operatio which the contractor eng produce the complete p are favoured by the Sau ernment. As this may only way to secure a co companies are obliged to together in consortia, or t for a project leader wh contracts the work and the entire risk.

Consortia face the prob joint and several liability places the liability for th project on each and ever ber. For instance, an ele firm would find itself the building contract down on the job. The ment of Trade has recen duced a scheme to he with this problem, but it yet been tested.

The Saudis have been the British Government prove its help to export contractors and may reg as helping meet the bi *British Government* recently signed an agree economic, industrial ar nological co-operation Saudi Arabia under w joint commission will be and a Department of representative will permanently resident in He will monitor progress jects undertaken under t of the joint commissi identify projects which take on.

For the businessman ing to break into the l Saudi market, however. no substitute for ho before leaving home. E for instance, waste his t arrived during Ramada pilgrimage (Septembe December last year but earlier each year), a recent changes in gov working hours, which h rently settled to a long with Thursday and Fri could affect the timing o trip.

BY OUR FOREIGN STA

# Auguries for the coming rates season

BY COLIN JONES

WEEK saw Rother Dis- ouncil declaring redund- chief executive and his ate staff, thus saving the inhabitants of that part l Sussex some £20,000 a and the Government a circular to local ties setting out what a still" in local govern- spending across the as a whole could mean ividual local services.

auguries for the coming of new local rates levies thus be thought to look promising, and up to a hat may be so. The etting seems to favour rage rates increase in figures in Greater Lon- average of about 10-12 it. in the other major metropolitan areas, of .5 per cent. or possibly more in the English and shire districts, and per- ) per cent. or more in f Scotland where local nent has now aligned its l years to coincide with periods south of the

: increases may not be is some people had been but they would be a improvement on last average increases of 35 t. for householders and cent. for business rate- in England and Wales reases equivalent to an 50 per cent. in Scotland. are, however, averages. , in London, has been of a 20 per cent. in- for example, while some shire districts are hop- peg their calls to last evel. Above all, they is stage little more than nates.

really needs to wait for month or six weeks nost of the 521 rating ecepting authorities in the country will have completed their budget-making while for the full picture one may have to wait for even longer because of the legislative and adminis- trative aftermath of the House of Lords ruling about uncon- nected premises and the general service charge for sewerage services. Indeed so complex has this particular tangle now become that some authorities fear they may not be able to send out demand notices in time for the new rating years starting in April with awkward consequences for their cash flow.

## Leverage

Up to now the general service charge has accounted for about 12-13 per cent. of the average household rates bill but this is not the reason why fingers should still be kept crossed at this stage. The basic trouble is that while the Government has tried to improve the workings of the rate support grant system as its main leverage over local revenue spending, it is still essentially relying upon local councils' willingness to fall in with its appeal for restraint and, until all 521 local budgets have been finally settled, no one can be certain of the response.

The 1976-77 rate support grant settlement was predicted on two principal assumptions: first, that increases in local government pay scales and other costs between out-turn 1975-76 and out-turn 1976-77 would average about 10-11 per cent. and second, that, in real terms, there would be a "standstill" in local revenue spending for grant purposes between the two years. By and large local treasurers appear ready to accept the assumption about cost inflation. The critical factor will be the next local manual workers' claim and that is not due until November when the financial year will have only another five months to run. Only if the manual workers' settlement is dramatically above the 5-10 per cent. guideline which the Government has given local authorities will next year's budgets be significantly upset.

Zero real growth is another matter however. There are many people who privately doubt whether it will materialise and who think that some continuing increase, albeit of a modest 1—2 per cent., is more likely. After all, it was only just over a year ago that local current spending was growing by about 10 per cent. a year while this year the increase is likely to exceed 6 per cent. Furthermore, since this year's over-run, which is now expected to be about 2.3 per cent. in terms of current spending (which is the basis of the figures Ministers have been using, although current spending excludes certain items which qualify for grant, as the table shows), has absorbed more than the whole of this and next year's allowable growth, the figure for total grant-supported expenditure in 1976-77 has been raised by about £82m. in order to avoid asking for an overall cutback in local spending. In other words, the "standstill" which Ministers are now talking about is not quite the same as the "standstill" they were talking about last autumn.

Secondly, since payroll costs absorb a good two-thirds of all local current spending a standstill in expenditure effectively means no further growth in the local government labour force, which in recent years has been expanding by something like 4 per cent. a year and is now some 2½m. strong, including part-timers. It is too early for the new quarterly count of local manpower to indicate what is happening: the September figures are still being analysed and the figures for March and June are undergoing revision. But at this stage it would seem that most authorities are hoping to rely on natural wastage rather than enforced redundancies. Indeed, last week's circular positively encourages local councils to use wastage and transfers between services and departments in order to "avoid the need for actual redundancies."

**LOCAL AUTHORITY REVENUE EXPENDITURE***

AT NOVEMBER 1975 PRICES

| | 1975-76 "Allowed" £m. | 1975-76 Estimated out-turn £m. | Over-run under-run % | 1976-77 "Allowed" £m. | 1976-77 Change on 1975-76 out-turn % |
|---|---|---|---|---|---|
| Education | 4,680 | 4,674 | − 0.1 | 4,770 | + 2.0 |
| Libraries, etc. | 151 | 160 | + 5.8 | 160 | — |
| Health & Social Security | 749 | 777 | + 3.7 | 807 | + 3.9 |
| Police | 749 | 779 | + 4.0 | 799 | + 2.5 |
| Fire | 194 | 207 | + 6.5 | 204 | − 1.4 |
| Other Home Office services | 114 | 122 | + 7.3 | 128 | + 5.0 |
| Local transport | 773 | 755 | − 2.3 | 697 | − 7.8 |
| Concessionary fares | 46 | 66 | +41.7 | 62 | − 6.5 |
| Slum clearance, etc. | 28 | 34 | +18.9 | 30 | −10.9 |
| Refuse collection | 252 | 272 | + 8.0 | 257 | − 5.7 |
| Leisure services | 246 | 253 | + 2.7 | 239 | − 5.3 |
| Planning | 103 | 123 | +19.4 | 125 | + 1.8 |
| Other environmental services | 297 | 353 | +18.8 | 327 | − 7.5 |
| Trading services | 10 | 16 | +56.0 | 3 | −77.6 |
| Administration | 221 | 220 | − 0.6 | 213 | − 3.2 |
| Current expenditure* | 8,615 | 8,812 | + 2.3 | 8,821 | + 0.1 |
| Loan charges | 987 | 987 | | 1,120 | |
| Housing subsidies | 215 | 201 | | 169 | |
| Rev. contrib. to capital expenditure | 432 | 370 | | 352 | |
| TOTAL EXPENDITURE | 10,250 | 10,369 | + 1.2 | 10,461 | + 0.9 |

* For grant purposes.

Up to a point these measures might suffice to offset increases elsewhere when, say, new schools or swimming baths are opened or in order to match changing demographic pressures. But there are practical limits. It is not always easy to transfer teachers and ancillary staff when the population of a school declines, and what does one do with architects and engineers when the flow of public works schemes diminishes? What is certainly apparent is that the dismissal of the Rother chief executive is unlikely to be followed—at least at this stage—by a veritable wave of redundancies at chief executive or at any other level. Indeed, the Rother situation seems to be somewhat exceptional.

It is true that the chief executive's departure was said to be an economy measure. But there have always been doubts about the appropriateness for small district councils like Rother of the new style of corporate management which was adopted almost universally in local government some two years ago following the recommendations of the Bains committee. In the larger authorities where the scale of activity, and spending, is so much larger, there was a compelling case for getting away from the traditional functional approach to policy and for re-shaping the echelons of officials under the managerial leadership of a chief executive with no particular departmental responsibilities of his own.

But in small councils there is much less work for the chief executive to do. The party political element is often weaker, personalities can count for more and individual councillors may find the corporate approach harder to adjust to—as we saw when the Somerset chief executive was dismissed in 1974 after trying to introduce corporate management.

A third reason for doubting whether we shall see a nil rate of growth in local spending is that it is up to each authority to decide how to interpret the Government's guidelines in this week's circular to its own particular set of circumstances. The circular sets out the overall national picture for each local service but, because education spending, for example, is expected to increase by 2 per cent. in real terms in 1976-77, it does not mean that every education authority can spend that much more though many may be tempted to do so.

Furthermore, the main services where some continuing growth is allowed for—education, social services, and police—are operated by the counties in the shire areas and (with the exception of the police) by districts in metropolitan areas. An increase in total real spending by these authorities would have to be matched by actual reductions by the shire district and metropolitan county authorities. Are the latter likely to act on this implication?

In areas where elections are due in May and party control is strong, the local leaders could well take the view that reductions in services and manpower are more likely to lose votes than an above-average rise in the rate call. Where the party in control is electorally vulnerable, however, the reaction may be the opposite. Moreover, the discipline of the rate support grant system is not water-tight. The way the "resources element" is calculated permits some seepage.

This part of the grant is related to average rateable value per head of population and the local rate levy. If the levy goes up, so does the resources grant, albeit at the expense of other resource-grant receiving authorities who play the game—just as the Transport Supplementary Grant for 1976-77 was adjusted in a way that penalised the Tyne and Wear County Council, the only metropolitan county which had observed the Government's ground-rules for public transport fares.

## Higher

Similarly, changes in the grant allocation among authorities between one year and another can tempt the benefitting authorities to pitch their budgets somewhat higher than they might otherwise have done. This year changes in the distribution formulae have been kept to a minimum, but Greater London, which had previously received significantly less than its fair share of grant, is receiving an extra £110m. in partial retribution—largely at the expense of the shire areas especially in the Home Counties.

Finally, there is the matter of working balances. Most local authorities are in a far healthier financial state than a year ago and the Ministerial circular asks for balances not to be built up any further. But rather than holding steady or even reducing their cash in hand, some councils may consider putting still more aside this year in order to hold down the 1977 rate call—when far more councillors in far more areas will face re-election than the number who will have to answer to the local voter this May. For all these reasons one cannot be sure of the prospect for this year's local rates just yet.

# Letters to the Editor

## tubes and T

r. A. Unsworth.

t is possible that the ient is very shortsighted sisting in the Thorn TV erprise. It is, however, ted that each worker t year accounted for a 3,357 p.a.

s assume an average £200 for a colour TV a sale in 1976 of 1.3m. his will give a yield on £65m. Approximate f VAT obtained in pre- ars were:—

.8m.—assuming 8% VAT
.2m.— " " "
0 m.— " 25% "

lost £4.6m. in 1975 on ibes, that is just 5.75 per f VAT taken by the ient for colour TV sets. oduction of tubes last s 0.608m. and it is sug- hat imports were about e. Assuming the Japa- ire of £40/tube, this will iat if Mullard goes out ess, as well as Thorn, we re to pay foreign cur- f £48.6m. for imported id presumably there will ly be an upswing in de- iich will push this figure

is also a 9.7 per cent. yment figure for sdale; would it not be for the company, the and the Government to ther whereby the wor- epted a lower wage for us employment and per- may even be able to ibes in competition with porting countries. Inci- while watching TV we wasting petrol driving e latter leisure of course s this country's balance ents deficit.

there is a case for re- VAT on TV, in order to foreign currency on TV nts from abroad, as well ig jobs in Thorn and

nsworth.
Downs Road,
am.

## ste It or e It

A. G. Mills.

Dr. D. N. Tregenza (Dec. y rightly stresses the wasting of energy etc., n Government controlled tions. Any heating knows that *the most* way of using solid fuel ing, is in open grates, ormally send well over ent. of the valuable heat up the chimney, besides severe draughts. The leaflet and advertising of l Fuel Advisory Service are still strongly ting very wasteful open stead of stressing the economy of the hand- ife, fully enclosed, glass modern coal fire, that ompletely prevents heat asted up the chimney.

lls.
Mead, Quarr Road,
IoW.

## strictive ctice

e Chairman,
Associates (Consultants).

A ruling exists at London whereby if a piece of air s delivered and within s a British carrier is for the denoted destination, then a foreign carrier leaving earlier cannot be given the consignment.

Accordingly, on December 14, 1975, I had an urgent report to be sent to Hong Kong. It was delivered to the airport offices of Air Express on the evening of December 13. Pan Am had a flight at 08.30 hours the following day and British Airways at 14.30 hours. Result: my consignment went British Airways arriving too late for the mid-day Board meeting on December 15 and I lost a foreign currency earning contract for the U.K. of $10,000.

When will bureaucracy and restrictive practices stop and allow us to trade efficiently?

Michael A. Silverman.
*Regina House,*
*1-5, Queen Street, E.C.4.*

## Fiscal fiddling no help

*From Wing Commander J. Crowley*

Sir,—Mr. Healey attributes disincentive in middle management purely to erosion of incomes. Whilst this is certainly a factor, I would suggest that it is an over-simplification.

I believe that it is too simple and materialistic to attribute low morale purely to remuneration. Social, economic and political stability are equally important if the nation is to tap the fund of talent and energy which undoubtedly exists. I doubt we will ever enjoy such stability under the existing two party system with ideologies which are diametrically opposed. Governments change on the average of every two and a half years.

I suggest that the Conservative rejection of the "middle ground" is a tragedy for which we will pay dear. Middle-ground or Government by consensus is not synonymous with ineffectuality. There are numerous "governing" bodies in commerce, schools and charities (not to mention trade unions) in which the concept of continuous confrontation would be unthinkable and totally unworkable. It is equally a myth in our current political scene to yearn for a strong Government, whatever this may mean. Strength in a democracy will never be found unless the Government enjoys the positive support and confidence of the electorate. Mr. Healey will not solve our problems by fiscal "fiddling."

J. M. Crowley,
Liberal P.P.C.,
Royal Tunbridge Wells.
*Glenshee, Maresfield Park,*
*Uckfield Sussex.*

## Look after the customer

*From Mr. P. McCaig.*

Sir,—Trade unionists talk regularly of factory "sit-ins" and politicians "of taking resolute steps" both aimed at overcoming the present serious unemployment situation. Would it be too much to ask that our trade union leaders and our MPs make mention of the one person who represents the key figure in our present dilemma?

Neither of these vociferous elements ever seem to mention "the customer." Yet we live in an "added value" community which cannot hope to maintain an adequate standard of living without importing expensive raw materials and exporting back finished products, which however much "skill value" has been added by British design and workmanship must still sell cheap enough to attract foreigners' custom.

For the sake then of future prosperity could not 1976 be the year in which we all recognise *the supreme importance of the Customer* (especially the overseas one)?

Peter A. McCaig.
*23, Toller Road,*
*Quorn, Nr. Loughborough,*
*Leics.*

## Unwanted calls

*From Mr. L. Smith.*

Sir,—As one engaged in industry as well as in farming, I deplore the modern practice (unfortunately becoming much more prevalent) of firms telephoning individuals to solicit business. Sometimes these calls are preceded by letters, always addressed in an informal manner to the recipient personally, advising the intention to telephone as a preliminary to a call at the premises.

Most commonly these communications are by those selling insurance or offering "public relations" services. In business, I regard these methods as impertinent because the person called has to waste time in answering the telephone whether or not he is interested.

I also deplore the habit of some in business having a secretary (in addition to the switchboard operator) taking incoming telephone calls before final connection, but it may be that this is necessary because of the practice I describe above.

L. Smith.
*Baydon House Farm, Baydon,*
*Marlborough, Wiltshire.*

## Protection for producers

*From Mr. Peter Mitchell (F.R.S.)*

Sir,—Is it not a scandal that when the annual rate of inflationary depreciation of the £ is around 20 per cent., and nominal interest rates are around 10 per cent., the real interest rate is around −10 per cent., and the banks and monetary system are thus permitted to milk away the real value of depositors' money at a rate of some 10 per cent. per annum; and furthermore, the Inland Revenue is permitted to levy tax, as though this 10 per cent. loss were a 10 per cent. gain? What of the responsibility of the banks and monetary institutions for safeguarding the savings of ordinary people? Where is value for money in this respect?

In a recent survey, it was found that personal savings have risen sharply as inflation has accelerated, contrary to most expectations. I wonder what proportion of the well-intentioned people lending money to the banks realise that, not only will the Inland Revenue take its toll on the bogus pretext of a non-existent profit, but also the monetary and banking monopoly will act against their interests by soaking up part of the real value of their savings.

We have heard a lot about consumers and their protection in recent times. But, in a fair and viable democratic society, do we not need to afford similar protection to the people who are producers and savers?

Peter Mitchell
*Glynn House, Bodmin,*
*Cornwall.*

## Dock labour scheme

*From Mr. F. Berg*

Sir,—I should like to express the very serious concern I feel with regard to the effect the proposed dock labour scheme legislation may have on the valuable export business which my company transacts.

I can see the danger of complete strangulation of the movement of all exports, if legislation is enacted to provide a very small part of this country's labour force with the ability to stop—through industrial action—the movement of valuable export shipments out of the U.K.

I have had occasion to deal with the problems arising from many strikes of this privileged and somewhat militant section of our community, and with ingenuity and a great deal of effort, I have so far always been able to find some way of satisfying the foreign customers who provide us with the necessary hard currency we so desperately need. I can see, however, that with the advent of the dock labour scheme, combined with the nationalisation of such ports as Felixstowe, no amount of ingenuity or extra effort will overcome the threat of complete and absolute closure of the movement of goods out of Great Britain at any time, and I cannot understand why such a minute part of this country's labour force should be singled out for such preferential treatment.

In common with millions of others, my job is not guaranteed for life, and if my company cannot satisfy its customers, 60 per cent. of which are foreign, I shall be declared redundant and could not expect to be paid indefinitely as my docker comrades would be in similar circumstances nor would my redundancy pay after 25 years' service, be anywhere near the amount that some dock workers received for voluntarily leaving the industry, and some of whom, no doubt, will find themselves back in the scheme again should the proposed legislation be passed by Parliament.

F. J. Berg.
*5, Mayfields Close,*
*Wembley Park,*
*Middx.*

## Please pay promptly

*From The Chairman of Council, Institute of Credit Management*

Sir,—Notwithstanding the overall excellence of Mr. David's examination of industrial credit (Executive's World, January 9), he is being a little naive in setting out the basic problem "the deeply ingrained view that bills are due not on receipt but by the last day of the month after receipt" which are fairly standard industrial selling terms anyway. The real problem, I suggest, is the fact that there are many many companies who pay scant, if any, heed to their terms of purchase and will take as much credit as they can get away with relying upon the diffidence of their suppliers, particularly the smaller ones, to ask for their money promptly. Some companies pursue this regrettable policy even to the extent of making sure that their accounts payable computer programme provides them with credit in excess of the purchase terms and hence have a ready made excuse for their delinquency.

In much the same fashion British company executives continue, even these days, to regard any expectancy for prompt settlement as something of an affront to their dignity and integrity—"Damn it all, old boy, you're a bit quick, aren't you, the thing's only a couple of weeks late" if "the thing" is an account for £10,000 that couple of weeks could well cost the creditor £50 out of the expected profit.

The Institute of Credit Management, which exists to provide the more sophisticated and professional approach to debtors control suggested by Mr. David and the fact of the greatly increased demands upon it for training and membership indicates that industry is at last becoming aware of the problem as has for many years been the case in the U.S. The Institute has long advanced the view expressed so succinctly by your contributor that an overall reduction in total credit extended and taken throughout industry would provide a huge source of the funds for re-investment the alleged lack of which is currently the subject of so much complaint by industry and unions. The money is there locked up in a chain of purchase ledgers. Your contributor estimates the amount as £450m. It is probably much greater to-day yet how often are we told. "I have not been paid, so can't pay you?"

In many areas of business it has yet to be realised that goods or services supplied on credit means that the supplier is making an investment in the buyer on which, like every investment, there is a risk, that of total loss or, more usually, the erosion of the expected return on it, that is, the profit. Credit management is, or should be, largely concerned with an analysis of the proposed investment before it is made and with minimising those risks attendant upon it by communicating the results of that analysis to the purchaser and to the sales department and setting out for both the limits and disciplines of the investment relationship. The ensuing account collection operation becomes very much a matter of efficient routine and of "getting off the mark" quickly.

The relatively low margins these days are all too soon eroded by slack and unprofessional management of the sales ledger whose balances usually represent in aggregate between 25 per cent. and 30 per cent. of total assets, and we are grateful to Mr. David for drawing attention to the matter.

W. V. Adams.
*3, Berners Street, W.1.*

## Two-tier post

*From Mr. S. Brookes*

Sir,—Can we not return to sanity with a single postal rate? Surely there would be massive benefits to the Post Office in dismantling the no doubt elaborate system which it uses to separate the two classes of letter. If we simplify the operation it must be more efficient, and should be cheaper!

S. Brookes.
*9, Cross Lane,*
*Bexley,*
*Kent.*

## Trouble in store

*From Mr. G. Turner*

Sir,—Having read of the new measures to be introduced by the Post Office, which will result in yet longer delivery times for second class mail, one wonders how long it will be before a surcharge will be levied to cover storage costs.

G. Turner,
*"Brackenrigg,"*
*3 Mill Hill Lane, Sandbach,*
*Cheshire.*

## To-day's Events

**GENERAL**
Prime Minister makes statement on Northern Ireland to House of Commons.
United Nations Security Council debates Middle East, Geneva.
Mr. Andrei Gromyko, Soviet Foreign Minister, on visit to Tokyo.
European Central Bankers begin two-day meeting, Basle.
Mrs. Barbara Castle, Social Services Secretary, in Iran.
Conservative Shadow Cabinet considers Government proposals for inter-party talks on security measures in Northern Ireland.
CBI Europe committee meets, London.
Sir Richard Marsh, chairman, British Rail, addresses Chartered Institute of Transport on "The Railway in the Transport Science." Royal Commonwealth Society, W.C.2.
Price of solid smokeless fuels increases by 2.5 per cent.

**PARLIAMENTARY BUSINESS**
House of Comons: Debate on Report of Northern Ireland Constitutional Convention. Motion on Unsolicited Goods and Services (Northern Ireland) Order.

**OFFICIAL STATISTICS**
Wholesale price index (December).
Retail trade (November—final).
Hire purchase and other instalment credit business (November).
Turnover of catering trades (November).

**COMPANY RESULTS**
Hogg Robinson Group (half-year).
Turner Manufacturing (full year).
Yarrow (full year).

**COMPANY MEETINGS**
See Week's Financial Diary on page 7.

**SPORT**
World Sporting Club tribute to Alan Mullery, Footballer of the Year for 1975, Grosvenor House, W.1.
Squash rackets: Grand Prix tournament, Newcastle.

# COMPANY NEWS

## Developments hit APG—but to pay maximum

TWO MAJOR developments within the Allied Polymer Group will result in losses and have led the directors to downgrade their original profit forecast made at the interim stage. Against the expectation of profits broadly in line with the £3.39m. of 1974, they now see a "significant" reduction.

They stress, however, that the cost of the developments is exceptional, and they still intend to recommend a final dividend equal to the maximum allowable under current regulations. This would give a total of 4.56p net, compared with 4.1456p.

In spite of the lower profit level, the increased dividend will be covered adequately by earnings; and liquidity at the year end was higher than 12 months earlier.

Explaining the developments, the directors state that the functional requirements for heavy hose in the oil industry developed rapidly, and APG Hewitt Hose found it necessary to undertake a major development and test programme in order that its products could meet the more exacting performance specifications.

As it is policy to write off all R and D costs as they occur, this additional and substantial expenditure will cause the hose company to show a loss for the year instead of the profit originally expected.

While the design improvements will mean higher production costs and lower margins on certain contracts, the accelerated development programme should enable Hewitt Hose to take more rapid and profitable advantage of its expanding markets in future.

The second development concerns Australia, where it was decided in the last quarter of the year to accelerate the reconstruction of Australian Polymer Products. The poor economic conditions in Australia were already affecting profitability adversely, and the directors decided to be in a position to take advantage of the better trading opportunities anticipated this year.

This has inevitably incurred costs which were not previously anticipated, and the Australian companies will therefore show an overall loss in 1975.

Preliminary results for 1975 will be announced in April. When the annual report is published the directors expect to announce further progress in the matters already referred to.

### ● comment

Close on a fifth below its 1975 best at 73p, Allied Polymer's share price started to underperform the market last August—roughly a month before the 1975 interim was announced. Then the group was talking in terms of unchanged profits for the year; now it discloses that 1975 profits are going to be "significantly lower."

Australia, which lost £266,000 after six months, has stayed heavily in the red against profits of £164,000 in 1974; and having run unexpectedly into a sizeable development programme Allied's oil hose operations are now making losses. The full impact of the setback will not emerge until April. But meantime there are one or two strands of comfort for a market capitalisation of £13m. The dividend is still going up, and a prospective yield of 9½ per cent. will be covered. So group profits—which totalled £3.4m. pre-tax in 1974—are not going to fall much below £2m. at worst. A year ago Allied's borrowings extended to around two-thirds of shareholders' funds but end-December liquidity levels have apparently shown some improvement.

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below is based mainly on last year's timetable.

TO-DAY

Interims:—Brigray Group, Hogg Robinson, Wellman Engineering.

Finals:—A. G. Barr, Braid Group, R. Smallshaw (Knitwear), Turner Manufacturing.

FUTURE DATES

Interims:—

| | |
|---|---|
| Cowan De Groot | Jan. 22 |
| Gordon and Gotch | Jan. 16 |
| International Timber | Jan. 13 |
| Newmark (Louis) | Jan. 15 |

Finals:—

| | |
|---|---|
| Associated Sprayers | Jan. 13 |
| Blundell-Permoglaze | Jan. 28 |

## Empress Services downturn

Turnover of contract cleaners Empress Services (Holdings) improved from £1.37m. to £1.71m. for the six months to September 30, 1975, but profit contracted from £88,074 to £74,462 subject to tax of £44,000 (£48,000).

The interim dividend is 0.2p net compared with 0.28p per 10p share. Last year's total was 0.45p from profits of £111,696.

The directors state that conditions have continued to be difficult but the cleaning activities are operating profitably. The painting and electrical activities are no longer profitable and are being phased out—it is expected to complete this by the end of current year.

PPR Security Services and Baymack Services, both acquired earlier this year, have traded profitably, and are expected to improve profits in the second half.

Overall financial control is being improved which should lead to further benefits accruing to the company, the directors add.

## Brent expansion in Canada

Ardrox Limited (Canada), a subsidiary of Brent Chemicals International, specialist chemical manufacturers, has acquired Xzit, a company manufacturing and selling speciality chemicals for the marine and engineering industries in Eastern Canada.

Xzit will be merged with Ardrox (Canada) and the enlarged enterprise will move into new premises at St. Catherine's, Ontario, in January. These will provide production, laboratory and office facilities under one roof.

## Crystalate loan stock proposals

AT THE same time as reporting an "excellent" start to the current year by Crystalate (Holdings), chairman Mr. J. B. Leworthy announces the promised alternative proposals for altering the conversion terms of the 10 per cent. Unsecured Loan Stock 1982-1998.

Commenting on prospects in his annual statement. Mr. Leworthy says that, if conditions do not deteriorate further, he would expect an improvement in results for this year.

As reported, the group achieved a turnround from a previous loss of £46,000 to a taxable profit of £72,000 for the year to Sept. 30, 1975 and Ordinary dividends are resumed with a net 0.06125p per 5p share.

The alternative loan stock proposals arise from a decision to modify the earlier plans for immediate conversion, following advice received from independent advisers, Brown Shipley.

Brown Shipley expressed the view that it would be fairer to all parties and in keeping with the objectives the Board had in mind if the final date for conversion were extended from April 30, 1976 to April 30, 1981, and that in consideration the rate of interest be reduced from 10 per cent. to 8 per cent.; also that the other terms and conditions, in particular the conversion price, should remain unchanged. These terms are therefore now to be submitted for approval.

All the present stockholders, who account for all but £8,750 of the £150,000 stock, have agreed to the proposals. Edward Bates and Sons, which owns £105,000 of the stock but no shares at present, would on conversion hold equal to 9.59 per cent. of the issued capital and 11.04 per cent. of the voting rights.

## Derbyshire Bldg. Society

In 1975, Derbyshire Building Society completed some 4,400 new mortgages, involving a record £27.25m. of home loans. This was around £10m. more than in the previous year.

Total assets increased by £25m. to £135m., the society's finest achievement to date.

Investments and cash held at the year-end, representing liquid resources amounted to £29.5m., some 21.85 per cent. of total assets. General reserve fund stood at £4.75m., or 3.5 per cent. of assets.

Total receipts from investors were £60m., including interest credited. Investors' and depositors' balances at the year-end had grown to £126m., a rise of £25m. Nearly 23,000 new investment accounts were opened and most of this growth was generated at the more recently opened branch offices.

Mr. F. L. Perkins, chairman of the Hogg Robinson Group, which is due to announce its interim results to-day.

## Cautious optimism at Lombard North Central

THE CHAIRMAN of Lombard North Central, Mr. W. B. Davidson, tells members in his annual statement that while there are grounds for optimism for the current year, the present uncertain business climate makes predictions of "little value."

As reported on December 12, after heavier provisions, a loss of £3.48m. was incurred for the year to September 30, 1975—compared with a previous profit of £5.15m. A profit of £868,000 was earned in the second half.

An analysis shows banking and finance U.K. loss £5.705m. and overseas profit £2.355m. and overseas industrial and commercial companies loss £136,000.

The halfway loss of £4.35m. was after including provisions against possible losses on property secured advances. Mr. Davidson explains that after a further examination it was found necessary to make additional provisions as a result of which it was not possible to recover all the loss of the first six months.

He stresses that one factor which distinguished the year from others was that the depression took a firmer hold in the U.K. and deepened in Australasia, where the bank has "substantial" business interests. Inflation, reached unprecedented levels—in consequence money costs remained very high worldwide, yet market conditions blunted the ability to pass them on.

In the year the amount of new instalment credit business undertaken was £199.7m. against £197.4m. for the previous year. Although there was a reduction in the amount of new leasing business transacted, this was compensated by increases in the amount of hire purchase, conditional sale and lease purchase business.

The profit on instalment credit business earned in the year increased by more than £5m. compared with the previous twelve months, and the quality of business as measured by accounts in arrears, was maintained at a "very satisfactory level," reports the chairman.

The banking sector continued to suffer from the absence of a reliable market for the disposal of commercial and industrial property, especially in the London area, in consequence, there has been further erosion in security values.

Mr. Davidson states that in the residential property market there are signs of improvement, and developers financed by the bank have completed and sold over 3,000 units in the year for prices between £8,000 and £30,000.

It is anticipated that this rate of construction and sale will continue and "even increase" during 1976, he adds.

An increase in the group's fixed assets is substantially accounted for by the purchase of premises for £2.7m. and an increase in equipment owned resulting from an increase in leasing of £32.74m.

The company is the finance house subsidiary of the National Westminster Bank group. Meeting Lombard House, Curzon Street, W., on February 4 at 2.30 p.m.

## Electric and General—Washington

Formal documents have now been sent out relating to the merger between Electric and General Investment and Washington Investment.

As known, this is to be effected by an E. and G. offer of 105 of its 25p Ordinary shares for every 200 Washington 25p Ordinary. Holders of Washington's debenture stock are offered an exchange into a similar E. and G. stock.

On the basis of current year dividend expectations—E. and G. is forecasting maintenance of 1p net per share on the enlarged capital—a holder of 105 E. and G. would receive £1.05 against £1.20 as a holder of 200 Washington. After the merger, and assuming full acceptance, net asset value of 105 E. and G. would be £78.33 compared with £75.40 for 200 Washington at October 31 last.

Mr. G. F. B. Grant, who is chairman of both companies, says the Washington directors consider that the improvement in net asset and market values are compensatory factors for the lower income and in all the circumstances consider the interests of members would now be better served by being shareholders of the larger investment trust. They have been advised by Deloitte and Company.

Upon the offer becoming unconditional, all directors of Washington other than the chairman and Mr. P. B. A. Keller, will resign and Mr. Keller will be invited to join the Board of E. and G. The other present directors of E. and G. will all be appointed to the Board of Washington.

## FT Share Information Service

The following securities have been added to the Share Information Services appearing in the Financial Times:—

Elandsrand Gold
(Section: Mines, Far West Rand)

## DUFAY BITUMASTIC

Dufay Bitumastic announced that its wholly-owned subsidiary, Vanguard Powder Coatings, will in future trade in the name of Dufay Vanguard. This company will market the powder coating products previously manufactured by it and by Dufay Plastics.

AFTER 21 HOURS OF TALKS . . .

# British Steel issues proposed agreement

**The following is the full text of the agreement proposed and signed the British Steel Corporation after 21 hours of talks at the week-end.**

1 (a)—Both parties acknowledge that the Corporation cannot continue to accept present employment practices which mean that even in its major plant BSC employees produce about 200 tonnes per man year, whereas major plants in Europe and the rest of the world produce at a rate of at least twice this figure. The table attached gives comparative international performances.

(b)—Both the Corporation and the Steel Committee are aware, as Lord Beswick stated in the Official Report on Steel Closures in Scotland dated August 6, 1975, that:—

"The success of that industry will hinge on its ability to supply steel to using industries both at home and abroad, at internationally competitive prices and qualities. This is turn will require steel plants — whether already in existence, now being built or newly planned following the review — to be run in accordance with international standards of operational practice and manning: otherwise the prospects for British steel, including Scottish steel remaining competitive in the 1980s may be grim."

### PRODUCTIVITY COMPARISONS

Based on BSC iron and steel activities only, excluding employ... mining, quarrying, refractories, RDL Ltd., and BSC (Chemicals) Li...

| | Liquid Steel Tonnes per man-year | Productivity index | Number of em... BSC would n... employ, in its Steel activiti... achieve comp... productivity comparable configurat... '000 |
|---|---|---|---|
| BSC | 131 | 100 | 182 |
| France | 164 | 125 | 146 |
| Germany | 225 | 172 | 106 |
| Italy | 232 | 177 | 103 |
| Netherlands | 243 | 185 | 98 |
| U.S. | 274 | 209 | 87 |
| Japan | 372 | 284 | 64 |

(Main source ECSC 1973)

### Manning

(c)—The Corporation and the Steel Committee affirm that the order of difference in manning and productivity between the Corporation and its major competitors is such that significant reductions in manpower have to be made. These will vary between works, but the scale of the reductions which is needed is such that very significant changes in the organisation and structure of work will be required so that working practices also match those of the Corporation's competitors.

(d)—Having regard to the present financial problems the Steel Committee agrees that the necessary reductions in manpower and improvements in productivity commence immediately and are completed in a period of not longer than two years taking maximum advantage of natural wastage which over the last five years has been at a substantial annual rate. It will therefore be necessary to obtain commitments from unions at all plants that job vacancies will be met from internal job restructuring and transfers rather than by external recruitment.

(e)—The maximum opportunity for voluntary redundancy will be allowed, but after jobs have been declared redundant it is the Corporation's intention that, if the manpower has not been reduced within 12 weeks from the date when jobs are declared redundant by management, other redundancy measures will have to be applied. This will apply to all personnel.

2—The unions have accepted the Corporation's proposals to load fully the low cost plants and to stabilise the load on the "Beswick" plants as detailed at the meeting. In the event of the necessary manning reductions not being achieved by voluntary redundancies the arrangements listed in 1(e) will apply.

3—The Corporation and Steel Committee/NCCC recognise that because of the critical financial circumstances weekend an dother premium shifts will only be loaded after all non-premium shifts have been properly utilised.

4—The Corporation and the Steel Committee/NCCC recognise the need to man jobs flexibly in such matters as working light, broadening of job content, and mobility, particularly in regard to the undertaking of alternative work without restrictions caused by traditional union and branch boundaries. While such job restructuring may give rise to a higher job content any negotiation regarding a revision of earnings must be considered in the light of Government anti-inflation policy.

### Working week

5—The Steel Committee has accepted that, where the Guaranteed Working Week Agreement applies, the shifts on which work will be found will be at managements' discretion. Works and Departments will be required to give weekly a formal statement of forward order loads and inform local trade union representatives of the effect of these on future w... arrangements.

6—The Steel Committe... agreed actively to a... management in the op... of formal dispute pro... in order to minimise u... strikes.

7—Both the Corporation a... Steel Committee have ... in principle to introduce ... the Corporation at Di... and Works levels joint ... ment/union teams t... plement the imr... introduction of the a... ments agreed ... particularly plans to ... manning and means by ... unofficial strikes ca... minimised. During th... four weeks the details o... arrangements will be ... out jointly by the Corp... and the Steel Committ... introduced immediately

### Consultation

8—This document is inte... a clear declaration on t... of the Corporation a... Steel Committee/NCC... both the manageme... workforce, of the ... required to improve co... formance. The policy ... Corporation is to consu... the workforce at all lev... it is imperative tha... practice is applied ... matters detailed above ... parties recognise, h... that in view of the enor... the problems presently ... the Corporation such ... sions cannot be allo... delay the implementa... this agreement.

The statement is signed ... Corporation by Mr ... Scholey, chief executi... Gordon Sambrook, m... director (personnel), a... David Grieves, director ... dustrial relations. ... representatives did no...

## Impending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially notified. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary figures usually accompany final dividend announcements.

| Company | Date | Announcement last year | Company | Date | Announcement last year |
|---|---|---|---|---|---|
| ...ros. | Feb. 11 | Final 15.5% | *Imperial Gp. | Feb. 10 | Final 15.3% |
| | | | *Inchcape | Jan. 22 | Int. 5% |
| ...unt | Jan. 19 | Final 12.6% | *International Timber | Jan. 13 | Int. 13.8% |
| ...tors | Feb. 18 | Final 4.2% | *Jacobs (John I.) | Jan. 14 | Final 7.8% |
| ...ries | Feb. 6 | Sec. int. 11.5% | James (John) | Feb. 22 | Int. 5.3% |
| ...per | Jan. 16 | Final 6.9% | *Jones Stroud | Jan. 15 | Int. 9.5% |
| | | | *Lloyds Bank | Feb. 20 | Final 5.6% |
| ...ank | Jan. 26 | Final 10.4% | *Union Discount | Jan. 21 | Final 16.5% |
| ... | Feb. 19 | Final 27.8% | Ward (Thos. W.) | Jan. 13 | Final 18% |
| ...r | Jan. 14 | Int. 7.9% | Warren Tea | Jan. 17 | Int. 3.3% |
| ...ich | Jan. 13 | Final 15.6% | Westinghouse Brake | Feb. 4 | Final 6.9% |
| ... | Feb. 20 | Final 34.7% | Witter (Thos.) | Feb. 12 | Final 13.6% |
| ...rris | Feb. 14 | Sec. int. 2.1% | | | |
| ... | Feb. 20 | Final 7.1% | | | |

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

## Local Authority Investments

LOCAL AUTHORITY loan rates ...ther last week, in line ... general reduction in ... rates in the London ...rket. The possibility of ... Bank of England Mini...ding Rate, following the ... of previous weeks, ... to have a weakening ...on rates. Deposits with ...orities at seven days' ...clined to 10¼-10½ per ... 10⅝ per cent., while one-... posits eased to 10¼-10⅝ from 10½-10¾ per cent., ...-month deposits to 10⅝ ... from 10⅞-10⅞ per cent. ...ear mortgage rate was reduced to 11-11¼ per cent. from 11⅜-11½ per cent., at the end of the previous week.

The gilt-edged market remained very active and both the short and long "tap" stocks were exhausted. The possibility of a cut in MLR and the easier trend in U.S. interest rates helped sentiment and the Financial Times Government Securities Index finished at 62.82, compared with 60.19 on the previous Friday.

One-year local authority bonds were placed during the week at par, with a coupon of 11 per cent., to offer a yield ⅛ per cent. lower than the previous week's batch.

| | * Rate (%) January 9, 1976 |
|---|---|
| ...otice (deposit receipt) | 10 —10¼ |
| ...otice (deposit receipt) | 10¼ —10½ |
| ...otice after one month (deposit receipt) | 10¼ —10⅜ |
| ...otice after three months (deposit receipt) | 10⅜ |
| ...otice after six months (deposit receipt) | 10½ —10¾ |
| ...t one month's mutual notice after 11 months | 11 —11¼ |
| ...t one month's lender notice after 11 months | [illegible] |
| ...d terms 2-5 years | n.a. |
| ...mortgage | 12 —12⅜† |
| ...mortgage | 12⅜ —12⅝† |
| ...mortgage | 13¼ —13⅜† |
| ...mortgage | 13¼ —13⅜† |
| ...mortgage | n.a. |
| ...mortgage | n.a. |

...are for sums not less than £20,000 and are subject to local ...and fluctuations. † Nominal. ‡ Shorter periods may attract ...s than longer. n.a. Not available.

## Public Works Loan Board rates

Effective from January 3, 1976

| ...rs | Quota loans Repaid By instalments | Quota loans Repaid At maturity | Non-quota loans* Repaid By instalments | Non-quota loans* Repaid At maturity |
|---|---|---|---|---|
| ... | 11⅞ | 11⅞ | 12⅜ | 13⅛ |
| ...p to 10 | 11⅞ | 13⅛ | 13⅜ | 14⅛ |
| ...p to 15 | 12½ | 14⅜ | 14 | 14⅞ |
| ...p to 25 | 14 | 15⅛ | 14⅜ | 15⅜ |
| ... | 15⅛ | 15 | 15⅛ | 15⅛ |

...-quota loans B are 1 per cent. higher in each case than ... loans A.

## ...ENT ISSUES

### EQUITIES

### FIXED INTEREST STOCKS

### "RIGHTS" OFFERS

## INTERNATIONAL COMPANY NEWS

# Life insurance industry attacks AGC bid

BY JAMES FORTH — SYDNEY, Jan. 11

THE LIFE insurance industry has now weighed in against the attempt by Australia's leading finance company, Australian Guarantee Corporation, to acquire Mercantile Mutual Insurance. The Life Offices Association and the Life Underwriters' Association both issued statements attacking the bid.

Strong opposition by the Mercantile Mutual Board has already forced AGC to increase its offer price from the initial $A2.75 cash a share to $A3.25 a share. Mercantile's directors have rejected the higher offer.

AGC is 58 per cent. owned by the Bank of New South Wales.

The life insurance associations, like Mercantile, are concerned at the prospect of a bank acquiring a major insurance company.

The LOA, which represents the life insurance companies, said the acquisition by banks of life offices had "serious implications" for policyholders, bank customers, employees of banks and life offices, and the general public. The executive director of the LOA, Mr. N. E. Renton, said that the present offer would probably induce other banks to make similar moves. The dangers of any large financial institution becoming involved in too many lines of activity, with all the inherent problems of conflict of interest, had been recognised overseas. Such "aggregations of power" were illegal in many countries.

Mr. Renton said that a bank, by virtue of its large branch network and very considerable influence over business affairs of customers, would be able to engage in "unfair" competition. This could eventually lead to some of the free enterprise life offices being forced out of existence, reducing the public's freedom of choice.

There was also the possibility that where compulsory policies were required of customers the choice of customers would be influenced by bank officers who had no training in, or knowledge of, life insurance and who would therefore not be able to have proper regard to the real insurance needs of the client.

Mr. Renton said a case could be made out for allowing freedom in the market place for such bids to be made and the outcome to be decided by shareholders. But he pointed out that existing legislation already virtually prevented a life office from acquiring another life office, and official policy stopped life offices from receiving bank licences.

The present takeover had also raised some difficult questions because of the confidential relationship which normally existed between a bank and its customers. A takeover of a corporate customer without the customer's consent should be made illegal, Mr. Renton said. Mercantile Mutual recently switched its business from the Bank of NSW in protest at the AGC offer.

The IUA — which represents the agents — said a successful takeover of Mercantile Mutual would be "disastrous."

# Potagua to seek quotation

BY HILARY BARNES — COPENHAGEN, Jan. 11.

POTAGUA, a holding company with a controlling interest in one of Denmark's wealthiest industrial groups, F. L. Smidth as well as Aalborg Portland Cement, is to seek a quotation on the Copenhagen Stock Exchange, the company has announced. F. L. Smidth (FLS) is one of the world's leading manufacturers of machinery and plant for cement production.

Through FLS and Aalborg Portland, Potagua also has an interest of about 48 per cent. in another major industrial company, Nordisk Kabel og Traadvarefabrik. These three companies together employ about 12,000 people and have a joint combined turnover of over Kr.4bn.

Potagua is to issue Kr.17m. (£1.36m.) B shares for public subscription from January 15. A price will be announced next week.

Share capital in Potagua is currently Kr.225m. (£18m.), which includes a 50 per cent. increase through a bonus issue proposed on Tuesday at an extraordinary meeting of shareholders. There are Kr.75m. in A shares and Kr.150m. in B shares.

Potagua owns 59 per cent. of the shares in FLS and 32 per cent. in Aalborg Portland, in which FLS also has a 29 per cent. holding. Potagua paid a dividend of 15 per cent. in 1974 and has proposed a 17 per cent. dividend for 1975.

## World Economic Indicators

### TRADE STATISTICS

| | | Nov. 75 | Oct. 75 | Sept. 75 | Nov. 74 |
|---|---|---|---|---|---|
| U.K. £bn. | Exports | 1.636 | 1.738 | 1.585 | 1.296 |
| | Imports | 1.927 | 1.962 | 1.807 | 1.896 |
| | Balance | −0.291 | −0.224 | −0.222 | −0.600 |
| U.S.A. $m. | Exports | 9,409.3 | 9,288.1 | 9,165.0 | 8,972.9 |
| | Imports | 8,299.1 | 8,212.2 | 8,188.6 | 8,973.3 |
| | Balance | +1,110.2 | +1,075.9 | +0,976.4 | −0,400.0 |
| W. Germany DM.bn. | Exports | 19.1 | 20.5 | 18.5 | 19.7 |
| | Imports | 15.9 | 17.6 | 15.7 | 15.7 |
| | Balance | +3.1 | +2.8 | +2.8 | +3.9 |
| France Frs.m. | Exports | 19.2 | 18.2 | 18.5 | 19.9 |
| | Imports | 20.0 | 19.7 | 18.4 | 20.1 |
| | Balance | −0.8 | −0.5 | +0.1 | −0.2 |
| Japan $m. | Exports | 4,310 | 4,757 | 4,454 | 4,991 |
| | Imports | 3,870 | 4,410 | 4,042 | 4,389 |
| | Balance | +440 | +340 | +12 | +612 |
| | | Oct. 75 | Sept. 75 | Aug. 75 | Oct. 75 |
| Italy Lire bn. | Exports | 2,080 | 1,970 | 1,711 | 1,882 |
| | Imports | 2,277 | 2,380 | 1,627 | 2,395 |
| | Balance | −197 | −410 | −84 | −513 |
| *Holland Fls.m. | Exports | 7,489 | 6,389 | 5,107 | 6,962 |
| | Imports | 7,046 | 6,766 | 5,308 | 7,069 |
| | Balance | +443 | −377 | −201 | −107 |
| *Belgium B.Frs.m. | Exports | 98.871 | 86.400 | 63 243 | 105.324 |
| | Imports | 105.660 | 99.000 | 77.310 | 106.337 |
| | Balance | −6.789 | −12.600 | −14.067 | −1.013 |

*Excludes trade between Holland and Belgium/Luxembourg.

# UP acquires CFE control

Financial Times Reporter

THE USINE Participation group (UP), the largest business magazine publishing group in France, has acquired a majority interest in Compagnie Francaise d'Editions (CFE), from M. Emmanuel Ollive who controlled 54 per cent. through his holding company (SOGESCO). CFE is the IPC business press's French associate.

IPC business press will continue as 43.8 per cent. shareholders in CFE and will be represented on the Conseil d'Administration of UP.

A new group — as yet unnamed — will be formed by a merger of the holding companies, Usine Participation and SOGESCO, which control the operating companies of the two groups.

# Money & Exchanges

**Bank of England Minimum Lending Rate 11 per cent. (since January 2, 1976)**

Short-term fixed period interest rates continued to decline in the London money market last week, following the easier trend in U.S. interest rates and the possibility of a further reduction in Bank of England Minimum Lending Rate, which remained unchanged however at 11 per cent. The Treasury bill rate fell by 0.2157 per cent. to 10.2766 per cent. The three-month sterling certificate yield finished at 10⅞-10½ per cent., compared with 10 11/16-10⅝ per cent. on the previous Friday.

Day-to-day credit was in short supply in the London money market on Monday, Wednesday and Friday and the authorities gave very large assistance to the market on Wednesday. There was no official intervention however on Tuesday and Thursday.

The U.S. dollar came under pressure in the foreign exchange market last week. Its trade-weighted average depreciation since the Washington Currency Agreement, as calculated by Morgan Guaranty of New York, widened to 1.99 per cent. from 1.79 per cent. on the previous Friday, and stood at 2.23 per cent. at noon on Wednesday. It is probable that central banks have given over $750m. support to the U.S. unit since the beginning of the new year. The Swiss authorities were reported to have purchased between $350m. and $450m. in the first three days of last week, as the dollar lost ground, following the recent easing of U.S. interest rates.

Towards the end of the week, however, the dollar showed signs of recovery, finishing at Sw.Frs. 2.6052½ in terms of the Swiss franc, compared with Sw.Frs.2.5937½ on Tuesday. The Italian lira tended to move against the trend of most other European currencies and the Italian authorities intervened to assist the lira on Wednesday when it was announced that the Italian Government had resigned. The lira's trade-weighted depreciation, on the Morgan Guaranty basis widened to 29.85 per cent. on Friday from 29.66 per cent. at the end of the previous week.

Sterling remained very firm last week, and its trade-weighted average depreciation, as calculated by the Bank of England, was at 30 per cent. and 30.1 per cent. throughout. It finished on Friday at 30 per cent. unchanged from the previous Friday.

The pound also improved against the dollar, closing at $2.0300-2.0310, compared with $2.0240-2.0250 on the previous Friday. The best level touched was at $2.0355-2.0365 during trading on Wednesday and Thursday.

Gold fell $3½, to $136½-137½, and the metal was generally undermined by the International Monetary Fund meeting in Jamaica and doubts over the IMF's plans to dispose of part of its gold stock.

### EXCHANGE CROSS-RATES

| Jan. 9 | Frankfurt | New York | Paris | Brussels | London | A'sterdam | Zurich |
|---|---|---|---|---|---|---|---|
| Frankf'rt | — | 2.6053-63 | 58.39 49 | 6.63-64 | 5.28-294 | 97.45-55 | 99.92-.02 |
| N'York | 38.40-42 | — | 22.42-44 | 2.548-550 | 2.0305-0315 | 37.41-43 | 38.41-43 |
| Paris | 170.875-.375 | 4.458 462 | — | 1.1415-3660 | 9.038-0926 | 166.525 925 | 170.775-.175 |
| Brussels | [illegible] | 39.24 27 | 8.79 82 | — | 79.67-80 | 14.6-.80 | 1504-.07 |
| London | 5.28½-29½ | 2.03-031 | [illegible] | [illegible] | — | [illegible] | [illegible] |

### FORWARD RATES

| — | One month | Three months |
|---|---|---|
| New York | 0.90-0.80 c. pm | 2.50-2.40 c.pm |
| Montreal | 0.25-0.15 c. pm | 0.55-0.45 c.pm |
| Amst'dam | 2⅝-1⅝ c. pm | 7-6 c.pm |
| Brussels | 40-20c. pm | 95-75 c.pm |
| Cop'nhg'n | 7½-5½ ore pm | 18-15 ore pm |

### EURO-CURRENCY INTEREST RATES

### SPECIAL DRAWING RIGHT RATES

### GOLD MARKET

### FOREIGN EXCHANGES

### OTHER MARKETS

### WEEKLY AVERAGES OF U.K. INDICES

## MINING NOTEBOOK

# Governments starting to learn their lesson

BY LODESTAR

APART FROM the fact that 1976 may see at least the start of the expected upturn in the metal price cycle the world's mining industry has another cause for hope. This arises from the increasing evidence that governments are beginning to learn the lesson that has been rammed home here from time to time, namely that repressive fiscal and nationalistic policies for the development and production of their natural resources not only turn payable ore back into waste rock but also throttle the exploration on which the whole future supply of metals vitally depends.

In Australia and British Columbia it has taken changes of government to bring about the prospect of more enlightened measures. But in Ontario the existing administration has begun to back pedal on policies which it is now frank enough to admit were not in the best interests of either the mining industry or the Province itself.

The prime example of this has been the announcement by the Ministry of Natural Resources that the deduction of off-shore processing costs will be allowed for tax purposes for another five years while there will be a 4-year exemption from Ontario's requirement that all ores must be processed in Canada. The company most affected is Falconbridge Nickel. And it is largely thanks to this company's well documented arguments that the previous decisions have been reversed.

Falconbridge has processed its nickel in Norway ever since 1928. The Ontario Minister Mr. Leo Bernier has no doubt taken note of the fact that Falconbridge has had to lay off between 500 and 600 workers and also the depressed condition of the nickel producing industry generally with Falconbridge's 9-month deliveries down 20 per cent. and those of International Nickel 37 per cent. lower in the first half of last year.

In Mr. Bernier's view "even if nickel orders increase significantly, the accumulated inventories are unlikely to be markedly reduced until 1977 or later." He added that the tax revision had been undertaken so as not to deplete the companies' cash flows in these difficult times and to ensure that they have the necessary financial resources to sustain employment in Ontario.

### Exploration boost

Here is a sensible and realistic approach indeed. And Mr. Bernier has announced his intention to go even further by tax changes, although unspecified, aimed at encouraging exploration and making it "as attractive in years of low metal prices as it is in boom times." Such activity, he went on, is vital for the industry and those who benefit by it "which means each and everyone of us in this province." Such views are a welcome change from the apparent opinions of other governments around the world who have seemed to be doing their best to discourage the vital efforts of the prospecting fraternity.

Nowhere has this been more marked than in British Columbia but with the change of government there new thinking is in the air. The Mines Minister, Mr. Tom Waterland, has indicated that the onerous Minerals Royalties and Mineral Land Tax Acts will be repealed. Royalties, unrelated to profits, are one of the most perniciously retrogressive of all mining taxes. They really do nothing but turn ore into waste rock which in a world that is getting worried about its dwindling natural resources does nobody any good.

Mr. Waterland, who is a mining engineer and thus at least knows what the industry is all about, also said that if a person finds an orebody he should have the right to mine it always providing, of course, that he abides by pollution control regulations. This right, essential if exploration is to be encouraged, has become a distinctly shadowy one in some mining countries during recent times.

Thus, after a period when the investor in mining seems to have been clobbered all round, the role that governments have been playing in adding to the normal woes at the bottom of one of the cyclical downturns in metal prices seems to be taking a decided turn for the better.

This should at least help foster the rewards without which the huge sums needed for the development of this high risk industry would have to be left to the taxpayer while the dead hand of bureaucracy would descend on the accumulated skills that have been expensively acquired by the private sector over the years in keeping the world supplied with the new deposits which are essential to replace those which are being exhausted with each and every day's mining thereof.

### Uranium views

A cheerful augury for investment interest in the future of uranium over the next ten years is the number of analytical exercises that are being compiled by stockbrokers and others. The latest comes from London's Laing and Cruickshank. It deals with the subject on a world-wide basis although being primarily orientated towards the potential Australian producers and towards Pancontinental in particular.

The firm's views about the uranium scene in general are full of ifs and buts. But the conclusions drawn are more forthrightly interesting. It is thought that the many ifs and buts make estimates of ultimate earnings for the mining companies a very uncertain proposition. Nevertheless investors are going to be focusing their attention on the prospect of long-term contracts at high prices over the next two years.

That such contracts may prove less than binding as time goes by owing to a possible uranium oversupply situation in the eighties is considered to be a minor consideration at the present time. In other words, the travelling may be much better than the arrival. This is a profitable philosophy which has been the backbone of mining investment over as many years as I can remember.

Laing and Cruickshank think that there will be a considerable amount of "travelling" to be done in uranium in the next few years. It is presumably on this basis that their accompanying analysis of Pancontinental prospects reaches a very definite conclusion indeed. It is that the shares of this major Australian uranium finder are a "strong buy" for all investors seeking a high risk-reward mining situation.

Meanwhile, it is an interesting thought in relation to the soaring capital costs of new mining ventures and of those of the Australian uranium miners in particular that one of the major propositions there, the Peko-E.Z. Industries Ranger partnership, is now reported to be keen for the new Federal Government to continue the previously frowned upon policy of its predecessor to put up the bulk of the capital funds in return for a 50 per cent. equity share.

What the new administration's attitude to this will be is not clear. It is generally opposed to government participation in private enterprise ventures and is seeking to divest itself of those embarked upon by its Labor predecessors.

### Mining year book

The mining "bible" season has got off to a welcome start. It has been launched by the Mining International Year Book, the 1976 edition of a publication which is in its 89th year.

It is now so well known that a description of its contents is hardly necessary. Suffice to say that in its 680 pages there is the usual detailed coverage of the world's mining companies, a list that is always being updated and added to, plus a variety of other useful features for anyone interested in the mining industry, whether technical, institutional, private or otherwise. It is obtainable price £10 post paid, or £14 air-mail, from 10, Bolt Court, London, EC4A 3HL.

## INSURANCE

# Fire damage cover

BY OUR INSURANCE CORRESPONDENT

IN A FEW days time the British Insurance Association will be publishing its monthly report of the cost of direct fire damage sustained in Great Britain, covering December in detail and comparing 1975 with 1974. But unless in December this country suffered fire damage on an unprecedented and as yet unreported scale the figures that the B.I.A. has produced for the 11 months of 1975 are adequate to suggest that insurers should have made a satisfactory profit on their fire accounts in 1975.

By the end of November the estimated direct cost of 1975s fires had reached £195.2m., which suggests that the years total will run out between £210m. and £215m. Compare the 1974 total of £236m., and allow for the pace of inflation throughout 1975 and it becomes clear that the reduction of direct fire wastage during the year amounts not just 10 per cent but perhaps is as much as 30 per cent. in real terms.

However, in the summer of 1974 the Flixborough disaster happened and that year's figures included some £35m. for the damage caused. But even if comparison of the two years is made after the cost of Flixborough has been removed from the reckoning, 1975s downturn of fire wastage must be approaching 20 per cent.

This is good news not only for insurers but also for commercial policy holders for year by year insurers review their rates in the light of experience, usually in the summer months when the previous year's costs are more accurately known: also they consider the trend of losses in the first six months of the then current year—do they indicate an improvement, worsening or satus quo?—and make detailed examination of the incidence of fire having regard to different trades and occupations. When they have made due deliberation they announce any rating changes in the closing months of the year.

Flixborough in 1974 was an exceptional disaster and clearly could not have any great influence on insurers' rating attitudes for the majority of risks when last summer's review was made. In the event the existing rating the status quo was maintained so that fire renewals this year will be invited at very much the same rates as last year, but for higher premiums, reflecting the higher valuations of the property insured. The indications are that if fire wastage continues in real terms at its present level or better still continues to reduce, then after this summer's review insurers will be most probably able to hold their present fire rates through much of 1977 as well.

Remember, we are talking about direct fire wastage and fire rates. Although the storm and flood damage suffered ten days ago will fall, broadly speaking, on the fire account, on commercial risks premiums are charged separately for weather damage, while in household insurances some part of the premiums are notionally set aside for this kind of eventuality. So even though the estimated bill is in the region of £20m. and might perhaps cause some reappraisal of perils rates, or even household rates and cover if the problem of domestic under-insurance cannot be solved, the cost of the storm damage should not affect fire rating.

The principal change in fire underwriting in the last year has been the modification of the long established condition of average in respect of fire and perils policies which have been arranged subject to insurers' reinstatement memorandum (the clause which makes the ultimate cost of reinstatement rather than present value the settlement yardstick).

Since May 1 last, regardless of the renewal date of individual contracts the majority of fire insurers have been applying average to losses only if the particular sum insured at the time is less than 85 per cent. of the full reinstatement value.

This change, taken in a year of high inflation, was described as a temporary expedient to ease the difficulties of commercial policy holders trying to gauge the likely ultimate cost of reinstatement two or three years ahead. In fact for reinstatement policyholders this concession has amounted to a positive premium rebate, so the question in many minds must be—what is temporary? Without answering that question, but setting the Government's hopes for reducing the rate of inflation this year against the many economic forecasts for worsening in 1977 it seems that the modified average condition will survive, certainly throughout this year's renewal cycle into 1977 and probably for some while longer.

# London tea sales

At the tea sales held in London last week 41,322 packages sold realised an average price of 65.04p per kilo compared with 64.97p at the previous sale and against 65.56p a year ago. Plain tea was quoted at 49p.

| | No. of kilos | Average per kilo |
|---|---|---|
| African Highland Prod. | 46.454 | 67p |
| Anglo Ceylon and Gen. | [illegible] | [illegible] |
| Assam Co. | 23,023 | 69½p |
| Assam Cons. | 20,[illegible] | [illegible] |
| Assam Dooars | 32,296 | 62p |
| Assam Frontier | 149,126 | 67p |
| Cachar and Dooars | 6,468 | 68p |
| Ceylon Tea Plantation | 22,779 | 61½p |
| Chulsa | 13,407 | 60p |
| Dekhari | 22,098 | 68½p |
| Doom Dooma | 67,833 | 68½p |
| Eastern Assam | 17,952 | 66½p |
| Hantpha | 9,995 | 55½p |
| Imperial | 31,043 | 69½p |
| Jhanzie | 9,057 | 69½p |
| Jokai | [illegible] | [illegible] |
| Kanan Devan | 8,699 | 69p |
| Kenya | 83,151 | 70p |
| Luleri | 20,393 | 65p |
| Majuli | 7,921 | 65½p |
| Moran | 38,101 | 68½p |
| Ouvah | 14,752 | 59p |
| Pabbojan | 49,496 | 67p |
| Scottish Tea and Lands | 31,183 | 62½p |
| Spring Valley | 4,511 | 60p |
| Standard | [illegible] | 63p |
| Talbheide | [illegible] | [illegible] |
| Tingri | 18,265 | 69½p |
| Tukuyu | [illegible] | [illegible] |
| Upper Assam | 20,703 | 68½p |

Stocks at January 2 amounted to 66,155 metric tons compared with 69,508 metric tons a year ago. Converted at 48,058 kilos per package.

## INSURANCE BASE RATES

| | |
|---|---|
| † Atlantic Assurance | 11 % |
| Cannon Assurance | 9½% |

† Address shown under Insurance and Property Bond table.

# INTERNATIONAL COMPANY NEWS + EURO MARKETS

## EUROBONDS

# Market backs new issue volume

BY MARY CAMPBELL

Continuing interest rate falls, together with high liquidity among investors—partially prompted by the relatively large interest payments and amortisation which tend to occur at the beginning of the year—kept the secondary market strong last week. This was despite a heavy volume of new issue announcements and increases in the size of issues announced earlier.

Three new issues came out last week in the U.S. dollar sector. They were a $30m. convertible for Mitsubishi Heavy Industries, $30m. for the Electric Supply Commission of New Brunswick and $40m. for the British Gas Corporation. The last of the three is the most notable insofar as it is the first issue by a British State Corporation for two years and, if successful, is expected to herald renewed Euromarket borrowing activity by British public sector entities.

The issue is Treasury guaranteed and offers a 9 per cent. coupon on a five-year maturity. Lead manager is Warburg's. Terms of the Mitsubishi issue include a 6½ per cent. coupon on a 15-year maturity with an option to redeem in 1980 at 113. Lead manager is Morgan Stanley International. The New Brunswick issue, being managed by First Boston (Europe) is indicated at 9 per cent. on a seven-year maturity.

In Canadian dollars, Roymor, a subsidiary of Royal Bank of Canada, is raising $C25m. for six years on an indicated coupon of 9½ per cent. via Orion.

Issues increased in size last week included both tranches of the ECSC's financing. The amount of the five-year notes on offer was raised from $50m. to $65m. suggesting that the move to an 8½ per cent. coupon level has not discouraged investors. The ECSC's bond issue has been increased from $50m. to $60m. and the Du Pont issue from $C35m. to $C50m.

Announced on Friday was a 20m. unit of account issue for the Finnish company Enzo Gutzeit under guarantee of the Republic. Final maturity is eight years and indicated coupon 9¼ per cent. Lead manager is Kredietbank.

# Sandoz 'success' in 1975

By John Wicks

ZURICH, Jan. 11.

GROUP TURNOVER of the Basle-based chemicals and pharmaceuticals concern Sandoz will have fallen by some 2 per cent. last year on 1974 levels, according to a letter to shareholders of the parent company, Sandoz AG. In view of alterations in currency rates over the year and the international recession, which hit dyestuff sales in particular, the Board says that this result can be considered as a "success," however.

The group, whose 1974 sales had totalled Sw.Frs.4.001bn., would have recorded a rise in its turnover of 9 per cent. last year, had it not been for revaluation of the Swiss franc and constant downward development of some other currencies. Group sales would have then been almost Sw.Frs.450m. higher than the expected level, says the letter.

A breakdown of sales into product groups shows that the dyestuffs division booked a 16 per cent. decline in Swiss-franc turnover for the first 11 months of 1975 or of 6 per cent. in terms of local currencies. Pharmaceutical business kept up well, though improving on the previous year's levels by 3 per cent. in terms of Swiss francs or 16 per cent. in local currencies. The dietetics and agro-chemicals sectors booked "positive sales results."

Although the overall development of group business will "not be without influence on profits," says the Board, it is expected that the parent company will be able to maintain the 1974 dividend of Sw.Fr.52.50 on an increased capital.

# Gloeggler subsidiaries suspended

MUNICH, Jan. 11

SHARE quotations of four companies in the Gloeggler textiles group were suspended here from Friday, and quotations of two of these companies were suspended in Frankfurt because of the group's financial difficulties, the two stock exchanges said.

Bavarian Economics Minister Anton Jaumann told journalists that Gloeggler has DM480m. of short-term debts plus further unspecified debts to suppliers.

Herr Jaumann said a plan to reorganise the group's affairs has been worked out and agreed to by all debtor banks, with the exception of one unnamed bank. Reuter

# Joint uni[t] for PUK and CFP

PARIS, J[an.]

PECHINEY Ugine K[uhlmann] (PUK) and Cie Franc[aise des] Petroles (CFP), the French petroleum conc[ern] [said] that they had set up a [jointly] owned subsidiary, Mina[tome, to] regroup their uranium [interests].

Minatome, with a[n initial] capital of Frs.43.3m., [will look] after the uranium ex[ploration] and exploitation intere[sts of the] two parent firms.

PUK is a major producer of aluminium [and non-]ferrous metals.

AP-DJ

# Indices

## NEW YORK

### DOW JONES AVERAGES

| Close | Home Bonds | Transport | Indus. | Util. | Trading volume† 000's |
|---|---|---|---|---|---|
| Jan. 9 | 69.92 | 185.81 | 911.13 | 87.97 | 26,510 |
| 8 | 69.77 | 186.06 | 907.58 | 87.71 | 29,030 |
| 7 | 69.52 | 182.50 | 898.69 | 87.59 | 33,170 |
| 6 | 69.67 | 181.42 | 890.82 | 87.36 | 31,270 |
| 5 | 69.28 | 178.67 | 877.83 | 86.43 | 21,960 |
| 2 | 69.11 | 175.89 | 858.71 | 84.84 | 10,300 |
| Dec. 31 | 69.02 | 172.66 | 852.41 | 83.65 | 16,970 |
| 30 | 69.06 | 171.21 | 852.41 | 82.69 | 16,040 |
| 29 | 68.87 | 170.85 | 856.66 | 82.79 | 17,070 |
| 26 | 68.72 | 170.62 | 859.81 | 82.73 | 10,020 |
| 24 | 68.58 | 169.12 | 851.94 | 82.12 | 11,150 |
| 23 | 68.66 | 167.20 | 845.75 | 81.19 | 17,750 |
| 22 | 68.56 | 165.85 | 838.63 | 81.35 | 16,340 |
| 19 | 68.41 | 166.95 | 844.38 | 81.16 | 17,720 |
| 18 | 68.38 | 167.21 | 852.09 | 81.42 | 12,040 |
| 17 | 68.34 | 166.09 | 846.27 | 81.32 | 16,560 |
| 16 | 68.21 | 165.52 | 844.30 | 81.36 | 18,650 |
| 15 | 68.16 | 164.54 | 836.56 | 81.13 | 13,990 |
| 1975-76 High | 69.92 (4/4) | 185.81 (9/1/76) | 911.06 (9/1/76) | 87.97 (9/1/76) | — |
| Low | 66.78 (5/1) | 146.47 (2/1) | 632.04 (2/1) | 72.02 (2/1) | — |
| All-time High | — | 278.88 (7/2/69) | 1051.70 (11/1/73) | 163.32 (20/4/65) | — |
| Low | — | 13.23 (3/7/32) | 41.22 (8/7/32) | 10.58 (28/4/42) | — |

† Excluding bonds.

### IND. DIVIDEND YIELD p.c.

| Jan. 2 | Dec. 26 | Dec. 27 1974 |
|---|---|---|
| 4.37 | 4.36 | 6.26 |

### N.Y. SE ALL COMMON INDEX

December 31, 1965=50.

| 1975-76 High | 1975-76 Low | Jan. 9 | Jan. 8 | Jan. 7 | Jan. 6 | Jan. 5 |
|---|---|---|---|---|---|---|
| 51.24 (15/7) | 37.06 (2/1) | 50.29 | 50.08 | 49.75 | 49.61 | 48.94 |

### RISES AND FALLS

| Issues traded | Up | Down | Unchanged |
|---|---|---|---|
| 1,891 | 917 | 537 | 437 |

| | Jan. 9 | Jan. 8 | Jan. 7 | Jan. 6 | Jan. 5 |
|---|---|---|---|---|---|
| New Highs | 127 | 149 | 176 | 161 | 155 |
| .. Lows | nil | 2 | nil | 3 | 1 |

### AMERICAN SE MARKET VALUE INDEX

Starting base 100 Aug. 31, 1973.

| | 1975-76 High | 1975-76 Low | Jan. 9 | Jan. 8 | Jan. 7 | Jan. 6 | Jan. 5 |
|---|---|---|---|---|---|---|---|
| | 96.80 (15/7) | 62.20 (2/1) | 88.82 | 88.52 | 88.08 | 87.35 | 85.95 |
| Volume (000's) | | | 2,960 | 2,650 | 3,160 | 2,780 | 2,260 |

### STANDARD AND POORS U.S. STOCK INDICES

| | *Industrials | †Composite |
|---|---|---|
| Jan. 9 | 106.24 | 94.95 |
| 8 | 105.79 | 94.58 |
| 7 | 105.08 | 93.95 |
| 6 | 104.62 | 93.33 |
| 5 | 103.53 | 92.58 |
| 2 | 101.64 | 90.90 |
| Dec. 31 | 100.88 | 90.19 |
| 30 | 100.46 | 89.77 |
| 29 | 100.90 | 90.13 |
| 26 | 101.07 | 90.25 |
| 1975-76 High | 107.40 (15/7) | 96.91 (15/7) |
| 1975-76 Low | 77.71 (8/1) | 70.74 (8/1) |

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails.

### STOCK AND BOND YIELDS

| | Jan. 7 1976 | Dec. 31 1975 | Jan. 2 1975 |
|---|---|---|---|
| Ind. Ord. yield pc. | 3.58 | 3.73 | 4.97 |
| Ind Ord. p/e ratio | 12.92 | 12.43 | 7.51 |
| Long-term Govt. Bds. per cent. | 5.92 | 5.99 | 6.72 |

### FRIDAY'S ACTIVE STOCKS

| | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Aztec Oil & Gas | 480,800 | 24½ | +1½ |
| Polaroid | 392,000 | 33½ | +1½ |
| Avon Products | 304,700 | 35½ | +2 |
| Texaco | 268,300 | 25½ | −¼ |
| UAL | 238,200 | 39⅞ | — |
| MacMillan | 228,900 | 5 | +⅛ |
| Amer. Tel. Tel. | 225,100 | 52 | — |
| General Motors | 221,490 | 60⅞ | +¼ |
| Disney (Walt) | 210,400 | 57¼ | +1¼ |
| Unitel | 185,700 | 15½ | +⅛ |

## TORONTO

### INDUSTRIAL INDEX

| Jan. 9 | Jan. 8 | 1975-76 High | 1975-76 Low |
|---|---|---|---|
| 176.70 | 176.49 | 196.30 (15/7) | 159.41 (2/1) |

## MONTREAL

### INDUSTRIAL INDEX

| Jan. 9 | Jan. 8 | 1975-76 High | 1975-76 Low |
|---|---|---|---|
| 182.77 | 182.34 | 205.61 (15/7) | 159.62 (2/1) |

### COMBINED INDEX

| Jan. 9 | Jan. 8 | 1975-76 High | 1975-76 Low |
|---|---|---|---|
| 178.00 | 177.54 | 198.00 (12/7) | 158.05 (2/1) |

## JOHANNESBURG

| | Jan. 8 | Jan. 7 | 1975-76 High | 1975-76 Low |
|---|---|---|---|---|
| Industrials | 218.8 | 317.2 | 238.9 (16/7) | 183.2 (23/1) |
| Gold | 221.3 | 223.8 | 379.1 (2/1) | 199.2 (8/12) |

(1958=100) Source: Rand Daily Mail.

### MELBOURNE YIELDS

| Av'ge yield on 50 Leading Stocks | Jan. 8 | Dec. 29 | Dec. 18 |
|---|---|---|---|
| On Dividends | 5.54 | 5.89 | 6.00 |
| On Earnings | 7.20 | 9.77 | 9.94 |

### SYDNEY ALL ORD. INDEX

| Jan. 9 | Jan. 8 | High 1975-6 | Low 1975-6 |
|---|---|---|---|
| 456.69 | 457.20 | 457.20 8/1/76 | 289.88 (9/1) |

### TOKYO NEW SE INDEX

Base=100 January 4, 1968.

| Jan. 10 | Jan. 9 | High 1975-6 | Low 1975-76 |
|---|---|---|---|
| 334.75 | 332.68 | 333.11 (2/7) | 268.24 (10/1) |

### HONG KONG INDEX ♦

| Jan 9 | Jan. 8 | High 1975-6 | Low 1975-6 |
|---|---|---|---|
| 363.65 | 371.79 | 371.79 (8/1/76) | 150.42 (8/1) |

### SINGAPORE INDEX §

| Jan. 9 | Jan. 8 | High 1975-6 | Low 1975-6 |
|---|---|---|---|
| 246.14 | 243.10 | 268.69 (11/3) | 153.26 (2/1) |

## EUROPE

| | Jan. 9 | Previous | 1975-6 High | 1975-6 Low |
|---|---|---|---|---|
| Belg'm (a) | 106.25 | 106.41 | 111.81 (15/5) | 89.07 (2/1) |
| Denm'k (b) | 102.54 | 102.46 | 102.54 (8/1/76) | 73.06 (13/1) |
| France (d) | 70.9 | 70.7 | 72.6 (25/4) | 61.70 (2/1) |
| Germ'y (e) | 786.1 | 726.4 | 797.0 (5/1/76) | 575.2 (2/1) |
| Holland (f) | 99.7 | 98.7 | 107.5 (6/5) | 88.2 (2/10) |
| Italy (g) | 81.86 | 81.60 | 102.88 (21/2) | 75.41 (17/10) |
| Spain (h) | 97.19 | 97.64 | 110.96 (22/4) | 91.80 (19/9) |
| Sweden (k) | 408.69 | 407.10 | 409.81 (12/11) | 310.28 (9/1) |
| Switz'rl'd (m) | 289.1 | 285.6 | 290.1 (6/5) | 206.3 (2/1) |

Indices and base dates (all base values 100):— (a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December 1953. (f) Amsterdam Industrial 1970. (g) Milan 2/1/73. (h) Madrid S.E. 31/12/74. (k) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (n) Unavailable. ♦ Hang Seng Bank 31/7/64. § Straits Times 1966. (c) Closed. † Adjusted.

## AUSTRALIAN WEEKLY LIST

## TEL AVIV STOCK EXCHANGE

Source: Bank Leumi Le Israel, Tel Aviv.

## HONG KONG

## SINGAPORE STOCKS

I.G. INDEX GOLD 135-138

## JOHANNESBURG

## AUSTRALIA

## CANADIAN WEEKLY LIST

# OVERSEAS SHARE INFORMATION

## NEW YORK

## CANADA

Investment premium based on $2.60— per £1—111¼% (same).

CORAL INDEX Close 399-404

## GERMANY ♦

## MILAN

## AMSTERDAM

## PARIS

## SWITZERLAND ♦

## COPENHAGEN

## BRUSSELS/LUXEMBOURG

## STOCKHOLM

## VIENNA

## TOKYO ¶

Source Nikko Securities Tokyo.

## SPAIN ♥

## OSLO ♦

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

# AUTHORISED UNIT TRUSTS

## INSURANCE, PROPERTY, BONDS

## REGIONAL MARKETS

| | | | |
|---|---|---|---|
| Holt (Jos.) 25p | 265 | | |
| Kleen-e-Ze | 18 | Alliance Gas (£1) | 80 |
| Lovell's Ship £1 | 70 | Carroll (P. J.) | 121 |
| N'thn. Goldsmith | 89 | Clondalkin | 45 |
| P.M.A. | 43 | Concrete Prods. | 92 |
| Pearce (C. H.) | 80 | Goodbody (£1) | 34 |
| Peel Mills | 12 | Helton (Hldgs.) | 31 +1 |
| Richards 10p | 14 | Irish Distillers | 66 −1 |
| RobbCaledonSh. | 46 | Irish Wire | 40xd |
| Sayers 12½p | 9 | Jacob | 72 |
| Sheffield Brick | 65 | Sunbeam | 9 |
| Sheff. Refrshmt. | 140 | Unidare | 63 |

## [FIN]ANCIAL TIMES STOCK INDICES

| | Jan. 9 | Jan. 8 | Jan. 7 | Jan. 6 | Jan. 5 | Jan. 2 | A year ago |
|---|---|---|---|---|---|---|---|
| Secs. | 62.82 | 62.09 | 61.82 | 61.01 | 60.46 | 60.19 | 51.58 |
| st | 61.33 | 61.10 | 60.71 | 60.16 | 60.01 | 59.73 | 51.70 |
| rdinary | 401.6 | 390.5 | 389.8 | 384.6 | 381.6 | 384.6 | 159.7 |
| | 227.9 | 252.9 | 244.6 | 248.9 | 243.2 | 246.9 | 326.8 |
| eld % | 5.26 | 5.39 | 5.40 | 5.47 | 5.50 | 5.46 | 12.31 |
| d % (full) (a) | 14.68 | 15.06 | 15.06 | 15.26 | 15.35 | 15.24 | 33.48 |
| ets (a) (b) | 9.99 | 9.75 | 9.73 | 9.62 | 9.55 | 9.63 | 4.17 |
| rked | 8,716 | 8,143 | 8,789 | 6,389 | 7,117 | 4,317 | 5,970 |
| ver £m | — | 91.54 | 106.66 | 60.49 | 62.38 | 46.56 | 57.05 |
| ins total | — | 21,793 | 21,414 | 18,036 | 19,531 | 11,569 | 13,062 |

0 a.m. 391.2. 11 a.m. 391.4. Noon 392.6. 1 p.m. 394.1.
2 p.m. 394.0. 3 p.m. 394.5.
Latest Index 01-246 8026.

a) Based on 52 per cent. corporation tax. (b) Nil=9.91.
0 Govt. Secs. 15/10/26. Fixed Inf. 1928. Ind. Ord. 1/7/35. Gold 55. SE Activity July-Dec. 1942.

## [H]IGHS AND LOWS

| 1975/6 High | 1975/6 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|
| 62.82 (9/1/76) | 49.18 (3/1/75) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| 62.31 (21/3) | 50.53 (3/1/75) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| 401.6 (9/1/76) | 146.0 (6/1/75) | 545.6 (19/6/72) | 49.4 (26/6/40) |
| 442.6 (22/5) | 218.4 (1/12) | 442.3 (22/5/75) | 43.5 (26/10/71) |

## S.E. ACTIVITY

| | Jan. 9 | Jan. 8 |
|---|---|---|
| Daily— | | |
| Gilt-Edged | 213.4 | 214.9 |
| Industrials | 301.4 | 275.1 |
| Speculative | 60.6 | 54.2 |
| Totals | 198.4 | 185.3 |
| 5-day Av'r'ge | | |
| Gilt-Edged | 217.3 | 201.1 |
| Industrials | 276.3 | 248.5 |
| Speculative | 61.1 | 57.4 |
| Totals | 187.3 | 167.3 |

## FT—ACTUARIES INDICES

| | Jan. 9 | Jan. 8 | Jan. 7 | Jan. 6 | Jan. 5 | Jan. 2 | A year ago |
|---|---|---|---|---|---|---|---|
| roup | 156.98 | 156.09 | 165.57 | 152.64 | 152.51 | 152.00 | 62.76 |
| | 173.18 | 171.45 | 171.03 | 168.31 | 168.00 | 167.51 | 67.57 |
| e | 6.38 | 5.43 | 5.44 | 5.53 | 5.54 | 5.56 | 12.35 |
| et) | 9.99 | 9.88 | 9.86 | 9.70 | 9.68 | 9.65 | 3.96 |
| | 166.29 | 164.54 | 163.96 | 161.16 | 160.70 | 160.52 | 65.96 |
| i po | 13.83 | 13.91 | 14.00 | 14.30 | 14.49 | 14.58 | 16.68 |

## OFFSHORE AND OVERSEAS FUNDS

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| [...]ternational | 11 % | Julian S. Hodge | 12 % |
| [...]rish Banks Ltd. | 11 % | Industrial Bank of Scot. | 11 % |
| [...]ortuguese Bank | 11 % | Keyser Ullmann | 11½% |
| Ansbacher | 11½% | Knowsley & Co. Ltd. | 12½% |
| [...]de Bilbao | 11 % | Lloyds Bank | 10½% |
| [...]de Jerez | 11½% | London & European | 11½% |
| [...] Cyprus | 11 % | London Mercantile | 11½% |
| [...] N.S.W. | 11 % | Midland Bank | 11 % |
| [...] du Rhone S.A. | 11½% | ■ Samuel Montagu | 11 % |
| [...]s Bank | 11 % | ■ Morgan Grenfell | 10½% |
| [...], Christie Ltd. | 12 % | National Westminster | 11 % |
| [...] Holdings Ltd. | 12 % | Northern Comm. Trust | 11 % |
| [...]nk of Mid. East | 11 % | Norwich General Trust | 11½% |
| Shipley | 11 % | Portman Guaranty | 11 % |
| Bowater Co. Ltd. | 11½% | P. S. Refson & Co. | 11 % |
| [...]Holdings | 11 % | Rossminster Accept'cs | 11 % |
| [...]house Japhet | 11 % | Schlesinger Limited | 11½% |
| [...]oates | 11½% | E. S. Schwab | 12 % |
| [...]dated Credits | 12 % | Security Trust Co. Ltd. | 12 % |
| [...]ative Bank | *11 % | Shenley Trust | 12½% |
| [...]ian Securities | 11 % | Standard Chartered | 10½% |
| [...]Lyonnais | 11 % | Sterling Credit | 12½% |
| [...]awes | 12 % | Thames Guaranty | 11 % |
| Brothers | 12 % | Trade Development Bk. | 11 % |
| Lawrie | 11 % | Twentieth Century Bk. | 12½% |
| Transcont. | 12 % | United Bank of Kuwait | 10½% |
| [...]ondon Secs. | 11 % | Whiteaway Laidlaw | 11½% |
| Gibbs | 11 % | Williams & Glyn's | 11 % |
| Durrant Trust | 11 % | Yorkshire Bank | 11 % |
| [...]und Guaranty | 11 % | | |
| [...]ys Bank | 11 % | | |
| [...]s Mahon | 11 % | | |
| [...]s Bank | 11 % | | |
| & Partners | 13 % | | |
| [...]muel | §11 % | | |
| [...]e & Co. | †11 % | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposit 7½%.
† 7-day deposits on sums of £10,000 and under 7%, up to £25,000 7½% and over £25,000 8½%.
§ Demand deposit 8½%.

## NOTES

# Sime Darby plans three big takeovers this year

BY MARGARET REID

SIME DARBY HOLDINGS, the Far East trading concern, is again expansion-minded after the trauma of the former chairman's sacking and imprisonment. It has plans which may lead to its making three large takeovers, each worth some £10m. this year.

The group's ambition is to become international, an aim underlined by the fact that the prospective acquisitions will be outside the East, at least one probably being in Britain, where the Marryat Group lift business was recently bought for £1.8m.

Another likely development this year is a further increase in the Malaysian public interest in Sime Darby. About 10 per cent. is already held by Pernas Securities, Malaysia's State instrument for taking national stakes in large businesses.

Talks have been taking place with Pernas. But it has not yet been settled whether an increased Pernas holding would be in the parent company, Sime Darby Holdings, itself, or in its Malaysian subsidiaries.

Plans for Sime Darby's new expansion phase and negotiations on the enlargement of the Pernas interest are in the hands of Mr. Jim Bywater, who became chairman last month after some months as chief executive.

He took over from Singapore banker Tan Sri Tan Chin Tuan—head of the big Overseas Chinese Banking Corporation—who had become caretaker chairman after Mr. Dennis Pinder had been ousted.

Mr. Pinder, who left the company on November 1, 1973, is now serving 18 months in a Singapore jail after conviction on three breaches of trust charges, but this episode does not appear to have permanently injured the standing of Sime Darby in Singapore Government circles.

Plans for the further enlargement of the group—registered in London, domiciled in Malaysia, and managed from Singapore—envisage the addition of further interests in Britain, North America, Continental Europe and Australia to the large Far East business.

Future take-overs are expected to be of companies relevant to one or more of the group's existing activities—tropical agriculture, heavy tractor equipment and international trading. The Board plans the group as a "managed" company rather than a holding company.

The recently approved conversion of £15m. of convertible bonds into Sime Darby shares has helped clear the decks for action and brought certain tax advantages.

Future group earnings should also benefit from the large tax losses from the sale last year for £5m. of most of Clive Holdings (now prospering as the independent Clive Discount Holdings), which was bought in 1972 for about £24m.

# Clothing industry to set up centre

BY RHYS DAVID

A TECHNICAL centre to improve clothing industry efficiency is to be set up by the Clothing Institute, the professional body covering managers in the industry.

The institute has acquired a site close to its headquarters in Hendon, north London. If an appeal for funds, launched yesterday, is successful, it is hoping to open the centre in April.

A target of at least £60,000 is being set. According to council chairman Mr. David Sussman, assurances of £25,000-£30,000 have already been given by companies in the industry.

Companies which have already indicated support include Coats Paton, Courtaulds and Tootal. It is hoped that other manufacturers, both large and small, will also back the scheme. The Institute will be offering bonds secured by the property in units of £1,000 to companies willing to fund the project. But smaller donations are also sought.

Mr. Sussman, announcing the scheme yesterday, said that the centre would provide up-to-date information on equipment which could contribute to the efficiency and productivity of garment manufacture.

The Centre would also assemble data on the performance of machinery and on cost and return on investment. The Centre will arrange displays associated with particular equipment or areas of manufacture and illustrate lower-cost work aids and auxiliary equipment. Individual companies will be able to sponsor exhibitions.

Though the Institute has gone ahead with plans for the Centre on its own initiative, the project is in line with a proposal in the Government's £20m. Industry Act aid scheme for clothing, announced in October. The idea was also put forward by the Clothing Economic Development Committee in earlier submissions to the Government.

Mr. Sussman said that the Clothing Institute had worked closely with the EDC and the Department of Industry. It would not be seeking Government funds for the centre at this stage, but hoped to be able to show that sufficient support was available from within the industry.

The funds raised by the appeal will be used to cover the cost of the freehold site and the buildings which will also house the Institute's headquarters and will extend conference and other facilities.

# Port of Rotterdam expects upturn in traffic

BY JOHN WYLES, SHIPPING CORRESPONDENT

SOME IMPROVEMENT in world trade this year is predicted tentatively by the port of Rotterdam in its estimates of probable traffic for the coming year.

Mr. F. A. F. Scheurleer, the authority's managing director, said yesterday that he thought an upturn was likely towards the end of this year and would be reflected in greater traffic through the port.

Rotterdam is anxious to improve on last year's performance when traffic dropped 4.5 per cent. below the 1974 level, but Mr. Scheurleer says that the recovery is bound to be uneven. The container trades, cereals and oil products were expected to move out of the doldrums, but general cargo was unlikely to rise above last year's figure which was 13 per cent. down on the previous year.

With other major European ports reporting traffic falls last year of up to 15 per cent., Rotterdam is clearly weathering the trade depression better than most.

To some extent the container trade will be the key to its recovery and the port will be looking for a reduction in the throughput of empty containers which marked last year's recession.

Total tonnage carried through Rotterdam in containers was 11 per cent. down last year on 1974, but Mr. Scheurleer said that with new container flows coming into the port, there were signs that the 1974 record total could be surpassed this year.

An additional boost should come next year with the containerisation of the South African trade. But the bulk of Rotterdam's container business will remain dominated by the European and American trades which together account for about 75 per cent. of all containers handled.

Mr. Scheurleer is also looking for some improvement in roll-on roll-off traffic which suffered less last year than the container trade, when it recorded a 7 per cent. fall in 1974.

Roll-on roll-off prospects could be greatly influenced by the performance of new services recently opened up between Rotterdam and the Middle East and to Leningrad.

LAWN TENNIS BY JOHN BARRETT

# Good prospects for winners of junior titles

JO DURIE, a 15-year-old from Gloucestershire and Andrew Paton a 16-year-old Lancashire lad, won the first British titles of the New Year—the Green Shield Junior Covered Courts Championships at Queens Club on Saturday.

Playing on the East Court, whose draughty corners once echoed to the pounding feet of former great champions, these youngsters did enough to suggest that, given time, they mights at least move towards the upper reaches of the British game.

Miss Durie, tall, slender and a trifle ungainly, made her power and reach tell to beat a dour and patient retriever from Lincolnshire, Cathy Drury, four months her senior, 7-6, 6-4 in just 79 minutes. To overcome the similarity of names, the umpire called the Christian names in full with each announcement.

Miss Durie reminds me of a more advanced version of Virginia Wade at the same age. I remember seeing Miss Wade's uncontrolled power cause her downfall against girls with less talent but greater consistency.

So it might have been on Saturday. But once the younger girl had wiped out a 2-5 deficit in the first set, her greater class of shot and steadier nerve saw her home.

Paton is already a force in the junior game as holder of the national under-16 title for the past two years. On Saturday his better return of service and clever counter hitting, especially on the backhand, plus greater mobility, accounted for the top seed Chris Bradnam, of Middlesex, who is a year older, 6—3, 1—6, 6—4.

Only in the middle set, which he won, did Bradnam do himself justice by relaxing and imposing his heavier game against a light-weight opponent.

In the first and third sets he was too careful and gave away many cheap points.

This was a clear case of the better competitor beating a greater talent for, at his best, Bradnam simply swamped the younger boy. However, he could not produce his best when it was needed.

It was announced on Saturday that the BP Cup—an international under-21 team event at Torquay on February 16-21—will experiment by allowing the players to make their own line decisions and appeal to the umpire only in cases of dispute.

This new idea is intended to help overcome the problem of seeing clearly where the ball has bounced on fast wooden courts under artificial lights.

The Umpires Association has been asked to provide officials as usual, but Mr. Bob Chatham, the secretary, said yesterday that the request would be debated by his council when they meet next Monday.

This year there will be six girls' teams, two more than usual, who—like the eight men's teams—will play round-robin matches in two groups to decide who goes forward to the knock-out semi-finals and finals at the end of the week.

Led again by Sue Barker, the British girls will be keen to retain the trophy they won last year in a close final against the Americans.

They will have the advantage of being captained by ex-Wimbledon champion Ann Jones, whose professionalism in last year's Wightman Cup team was a determining factor in the British success.

The American men won their first BP cup title last year and will be challenged this time by Great Britain, Czechoslovakia, France, Germany, Holland, Spain and either Italy or Sweden, who play an elimination match for the last place on February 12 and 13.

The much-improved Lancashire left-hander, Martin Robinson, has already been selected for Britain. The others will be named before January 16.

WINTER OLYMPIC

# Britain's bobsleigh team

By Michael Thompson-Noe

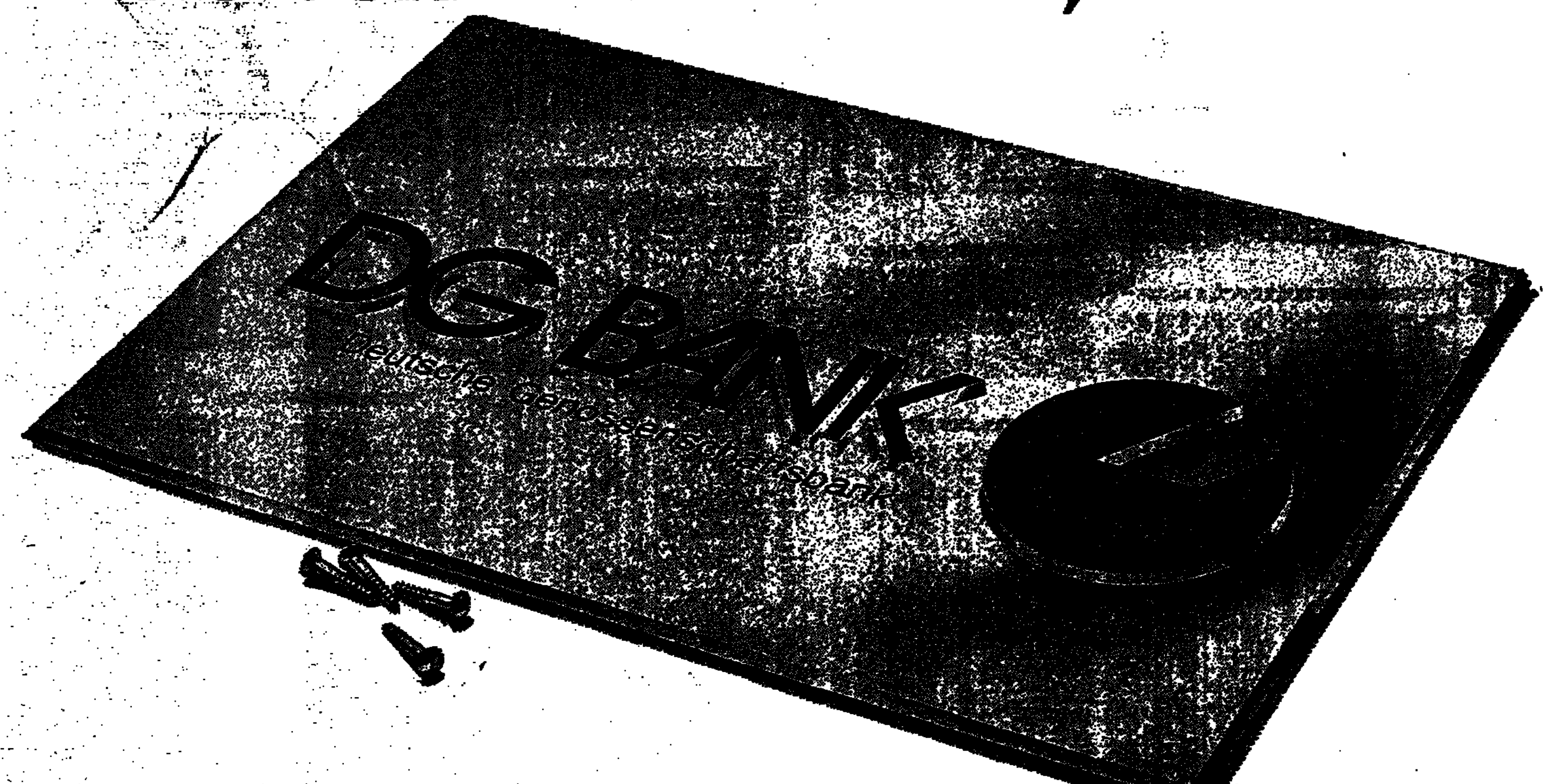
BRITAIN'S No. 1 fo bobsleigh team for the Olympics next month ing on the £2.5m., 14-co refrigerated track at Igl Innsbruck, Austria.

The all-Army team prises Cpl. Jackie Pri driver; Cpl. Graham Sw Sgt. Malcolm Lloyd, 2 Sgt. William Sweet, 28, man. All serve wit Queen's Dragoon Guard the world championsh Cortina, Italy, last Marc finished 11th.

Britain last achieved p ence in Olympic bobb 1961 when Nash and won the gold in the tw event. At Igls next each country can be sented by two two-ma two four-man bob teams first ten places are ex to go to the teams Austria, Switzerland, Ita East and West Ge although in intern bobbing the time diff between first and last can be as slim as one se

The line taken by the into and out of each co vital. Ten centimetres line into a vertical corr mean that the bob turr or runs out, with uns results. Speeds of up mph are reached.

# WE HOPE OLD FRIENDS WHO HAVE KNOWN US FOR A QUARTER OF A CENTURY AS THE DEUTSCHE GENOSSENSCHAFTSKASSE AND DGK WILL SOON GET USED TO OUR NEW NAME – DEUTSCHE GENOSSENSCHAFTSBANK – OR THE DG BANK FOR SHORT. IT'S AS EASY TO REMEMBER AS OUR NEW SYMBOL, ISN'T IT?




And our new clients in the international business field should find it only natural that our new name expresses exactly what we are – commercial bankers to the West German cooperative movement and the central institution of all cooperative banks (Genossenschaftsbanken) in the Federal Republic.

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Over the last financial year, our business has again expanded steadily. The figures from our provisional balance sheet as at the 31st December 1975 reflect both the sustained growth of our group and the substantial progress we have made in international business including syndicated loans.

| DM '000m | 1975 | 1974 |
|---|---|---|
| Balance sheet total | 23.2 | 19.7 |
| Deposits | 19.7 | 16.6 |
| Total advances | 13.5 | 12.7 |

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## HOTELS—Continued

## INDUSTRIAL (Misc.)

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## INDUSTRIALS—Continued

## ††INSURANCE

## MOTORS, AIRCRAFT TRADES

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### Trusts, Finance, Land, etc.

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### Sri Lanka

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### CENTRAL RAND

### EASTERN RAND

### FAR WEST RAND

### O.F.S.

### FINANCE

### DIAMOND AND PLATINUM

### CENTRAL AFRICAN

### AUSTRALIAN

### TINS

| Dividends Paid | | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| Dec. | June | Malay Dredging | 163 | 1.12 | 10.7 | 2.0 | 9.2 |
| June | Dec. | ΔPahang | 30 | 22.9 | Qb2.6 | ϕ | 13.3 |
| July | Jan. | Pengkalen 10p | 45 | 3.11 | 7.0 | 1.0 | 23.9 |
| March | | Petaling SM1 | 112 | 27.1 | — | — | — |
| Jan. | July | Saint Piran | 21 | 11.8 | 0.63 | 3.5 | 4.6 |
| Apr. | Nov. | South Kinta (10p) | 97 | 22.9 | 9.5 | 1.5 | 15.0 |
| June | Dec. | Sthn. Malayan | 127 | 1.12 | 10.7 | 0.9 | 13.0 |
| July | Dec. | Sungei Besi 25p | 35 | 2.6 | ‡6.0 | 3.0 | ‡ |
| Mar. | Oct. | Sungei Way $M1 | 29 | 9.72 | ZQ10 | — | 6.0 |
| Sept. | July | Tanjong 15p | 48 | 28.7 | 4.35 | 2.3 | 13.9 |
| Jy Mar | Sept | Tongkah Hb $M1 | 52 | 31.3 | Q23% | 0.6 | 8.4 |
| Apr. | Oct. | Tronoh | 73 | 8.9 | †4.02 | 3.5 | 8.5 |

### COPPER

| Dividends Paid | | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | Botswana RST R2 | 65 | — | — | — | — |
| June | Dec. | Messina R0.50 | 320 | 1.12 | Q35c | 1.9 | 6.0 |

### MISCELLANEOUS

| Dividends Paid | | Stock | Price | Last xd | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| — | | Burma Mine 17½p | 8 | 29.5 | m0.5 | — | 1.7 |
| — | | Charterhall 5p | 32½ | 3.67 | — | — | — |
| — | | Colby Mines $1 | 60 | — | — | — | — |
| Aug. | Feb. | Cons. Murch. 10c | 800 | 12.12 | Q80c | ϕ | 5.5 |
| — | — | Lamrasia | 36½ | — | — | — | — |
| July | | Northgate C$1 | 265 | 27.3 | tQ25c | 1.0 | 5.2 |
| Jan. | June | R.T.Z. | 203 | 17.11 | g5.51 | 4.4 | 4.2 |
| — | | Sabina Inds. C$1 | 93 | — | — | — | — |
| — | | Stanford Mines$1 | 45 | — | — | — | — |
| — | | Tara Exptn. $1 | £11 | — | — | — | — |
| — | — | Yukon Cons. C$1 | 99 | 11.65 | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Banks and Insurance: reserve allocations may preclude calculation of dividend cover.
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1978 profits.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✠ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Figures based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 33

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

FINANCIAL TIMES

Monday January 12 1976



# Short-term goals stressed in industrial strategy

BY ADRIAN HAMILTON and WILLIAM KEEGAN

THE TREASURY and the Department of Industry are still pressing ahead with an industrial strategy based on selective assistance to industry, in spite of the obvious setback caused by the Chrysler deal.

The Government has downgraded many of the long term hopes for the strategy in the two months since the Chequers meeting of the National Economic Development Council.

As promised at the last meeting, the Department of Industry has now produced a list of 30 key sectors of the economy to be discussed at Wednesday's NEDC meeting. It has divided these into sectors with good growth prospects: sectors with potential, but requiring help; and sectors with relatively little potential.

Urgent studies of the various sectors are to take place during the next few months.

The Government's prime concern is to find an urgent short-term way to ensure that industry will not be caught short of capacity during the next upturn in world trade.

It is also hoping to set guidelines to make State financial help to industry much more selective.

At Wednesday's meeting, the Government will seek a commitment from employers and unions to come up with firm suggestions for urgent action by June.

It appears not to mind if objections are made to the sectors chosen, but it wants the studies agreed to be worked on urgently.

The Government view is that capacity constraints can arise as much through poor use of existing industrial capacity as from a low level of new investment.

It is in the better use of plant that the NEDC network of employers and union contacts can presumably be expected to help.

The Government hopes, by putting greater Whitehall input into the studies to be undertaken in the next few months, to pinpoint some of the obstacles, and to gain industry's and unions' acceptance of urgent remedies.

Some of the studies—such as chemicals and machine tools—are to be made through the network of Economic Development Committees ("Little Neddies"). It is thought that these can come up with reports—using existing information—fairly rapidly.

Other sectoral studies will require the setting up of special working parties representing the Government, employers and unions.

In many ways, this indicates how the grander conception of an industrial strategy looking four of five years ahead has taken second place to more immediate economic problems.

With this in mind, Mr. Denis Healey, the Chancellor, has circulated a paper to NEDO members pinpointing the bottlenecks during the last world boom of 1972-73.

Sir Ronald McIntosh, director general of the National Economic Development Office, has submitted a paper warning of the dangers of bottlenecks in specific areas, such as steel and castings, during the next upturn.

The list of 30 industrial sectors drawn up by the Government for Wednesday's meeting contains few surprises, although it is noteworthy that the paper industry is not included.

The sectors accounted for 60 per cent. of total manufacturing net output in 1971-73. It contributed 68 per cent. of manufacturing exports.

## The 30 industrial sectors

**The industries listed are: Mechanical engineering (general) and metal industries (ball and roller bearings; precision chains; springs; drop forgings; miscellaneous metal goods); motor vehicle manufacturing; machine tools; electrical machinery; mechanical machinery; ferrous foundries; non-ferrous foundries; aerospace; shipbuilding and marine engineering; woollen and worsted textiles; organic chemicals; rubber; pharmaceuticals; synthetic resins and plastics; food; drink; hosiery and knitwear; iron and steel and steel tubes; pumps, valves and compressors; industrial engines; scientific and industrial instruments; radio and electronic components; computers; domestic electrical appliances; man-made fibres; oil refinining; mechanical handling; radio, radar and electronic capital goods; construction and earth moving equipment; industrial plant and steel work.**

# Top men 'face incomes crises'

BY OUR INDUSTRIAL STAFF

**MORE AND MORE executives face "personal crises," because of falling real incomes and will be "forced" to change jobs for "purely financial reasons," according to a survey of City professions and professional executive salaries by Lloyd Executive, the personnel consultants.**

**The survey of 171 City firms shows that the overall average salary increase received last year was 18.1 per cent., well below the rise of 25.9 per cent. in the Retail Price Index and of 24.7 per cent. in the average earnings of all employees.**

**The problem is underlined by an examination of the experience of a "typical" executive over the last two years. The disposable income of a 32-year-old family man with an 85 per cent. mortgage and car purchase loan, earning £4,000 in January 1974 and receiving a 15 per cent. salary increase in both 1974 and last year, fell by 1 per cent. in 1974 and 7 per cent. last year.**

**The decline would have been even greater if mortgage interest rates had not remained steady.**

**Within the different categories of executive examined, those in merchant and international banks had an average salary increase of 20.4 per cent. last year, while the accountancy profession showed a rise of 21.2 per cent.**

## Shedding

**Those in insurance companies and the legal profession had increases of 15.1 per cent. and 14.6 per cent. respectively.**

**Although the level of redundancies last year was below the level of 1974, there was a continued shedding of labour, except for accountants. The survey emphasises that it remains difficult for school and university leavers to "break into" a City career.**

**Among newly qualified professionals, accountants were some of the most sought-after, but there remained a "worrying shortage" of jobs for newly qualified solicitors.**

**Examining senior management remuneration, the survey discovered that the highest-paid job was that of finance director, where the overall median salary was £12,500.**

**All but 25 of the 171 companies surveyed provided pension schemes for their staff, while non-contributory medical treatment was also becoming more widespread.**

*New Earnings in the City—£30. Lloyd Executive, 50-51, High Holborn, WCV 6ER.*

# THE LEX COLUMN

# The North Sea consortia

Will the idea of investment consortia in the North Sea survive the fifth round of licence applications later this year? The exploration experience of the couple of dozen consortia established so far has been fairly mixed — well under half have found any oil at all—and it is turning out to be rather tricky for independent explorers to market oil once it has been proved. Nevertheless, it seems likely that most consortia will still be seeking new concessions, and it is even possible that new groupings will be formed.

Our accompanying table lists the proven fields in which consortia have a stake and also the blocks on which have been made "finds" whose delineation and commercial value have yet to be appraised. The object of the consortia, usually amalgams of life assurance, investment trust, and other financial interests, is a spreading of the cost and risk of exploration.

A study of all the latest accounts indicates that some £33m. has been called so far—although more than half of this total has been absorbed by Siebens Oil and Gas (U.K.), an operation which is not typical of consortia in general. In comparative terms £33m. is not a large figure—it is less than 1 per cent. of total expenditure in the North Sea so far—but the potential return could obviously be large. To take one of the few success stories, Lasmo and Scot's combined subscribed equity capital of £6m. compares with an estimated net present value of around £40m. for their overall stake in the Ninian field. Even then only just over half of exploration expenditure of £3.6m. (as at December, 1974) was on account of Ninian.

## Rights issues

Century Power and Light, an older hand at the game, has had the Hewett gas field under its belt for several years, but decisions on the development of the Maureen and Andrew fields have yet to be taken. Elsewhere, the stream of rights issues from CPP Associates (37 per cent.-owned by Charterhall Finance) is a sign of the strain of financing exploration on block 21/1, the Buchan field —estimated at 400m. barrels, roughly the size of Thistle.

Cash strain also became strongly evident at Siebens, whose cash holdings dropped from £3m. at October 1974 to under £0.75m. six months later, just ahead of a rights issue, raising £8.8m., which was not fully subscribed by three of the five major shareholders, Coalite and Chemical, Hambros, and Phoenix Assurance. The subsequent debacle when Siebens announced a dry well on Block 2/10, on which it had pinned substantial hopes, emphasised the large risks involved in this kind of business.

And the gyrations of Siebens' "unofficial" share prices, rising during 1975 from 80p to 710p and then back to near 200p, gave a glimpse of the speculative turmoil which would be seen if the Stock Exchange were less restrictive on the quotation of exploration shares. The Siebens bubble may not be quite pricked: the company has 10 per cent. of the Brae field, now under appraisal and being tantalisingly boosted in some quarters as the largest potential find yet in the North Sea.

Gas and Oil Acreage (GOAL) may provide a more typical example of the uncertainties involved. The company balance sheet at December 1974 showed £2.85m. of equity capital, of which £1.1m. related to the cost of petroleum interests and associated "know how" in the Dutch sector of the North Sea. But the chairman reported that drilling in this area had had to be postponed until 1976 due to a shortage of rigs.

On the other hand, a 7½ per cent. stake in the Buchan field was acquired from CPP Associates in May, 1973, for only £0.25m. More recently the Trans Ocean exploration group has made a significant gas discovery in the southern sector ... 48/12, where GOAL ... effective 5 per cent ... Just under one half ... consortium's shares are ... Morgan Grenfell (N... and the Prudential ... and General are other participators.

### Development cost...

An example of the ... tions of exploration is ... by Pict Petroleum. Total ... tion expenditure at ... 1975, came to £2.2m., which was accounted ... interests where gas ... have actually been fo... 15/21 testing produce... guous results, no furth... ing has followed on ... gas find 3/19, and bl... and 3/6 are purely pr... with any enthusiasm ... heavily on the prolif... of quadrant 3. Meanwh... injections continue; a ... £1m. was called up in £... and the remaining £1m ... by the end of the year.

Even when the con... successful at the ex... stage, the costs of ... development are daunt... likely joint share of La... Scot in development ex... for Ninian is at leas... compared with their ... authorised capital ... £14.6m. At one time ... thought that the finan... sortia would be able to ... proven finds to establ... company interests, or ... least be in a position ... suitable bank finance ... has come to be thrown ... however.

Oil companies can ... lengthy period of wo... capacity for crude, so ... ground has become n... readily saleable. T... drawn out negotiations ... the Ranger group ... Lasmo and Scott and ... Bank of Canada over ... have necessitated the r... further money from ... holders through issues ... term loan stocks.

So other parties in ... Sea may be concerned ... involvement of the ... could produce delays in ... fields to the producti... And the consortia th... have not proved notably ... ful in exploration. ... backers of the conso... still argue that the ... flutter in the North Se... relatively small compa... the potential rewards ... the size of the investme... at the disposal ... institutions.

**NORTH SEA INVESTMENT CONSORTIA**

**FIELDS**
**Lasmo (Ninian)**
**Scot (Ninian)**
**Century Power & Light (Hewett, Maureen, Andrew)**

**FINDS**
**CCP Associates (Block 21/1)**
**Gas & Oil Acreage (21/1)**
**Pict Petroleum (15/21, 3/19)**
**Siebens Oil & Gas (2/10, 16/7)**

**OTHERS**
**Associated Resources**
**Cluff Oil**
**Cluff/Celtic**
**Clyde Petroleum**
**Dolphin**
**Enjay Holdings**
**Merlin**
**North Sea Oil & Gas**
**Rothschild Group**
**Oil & Gas**
**Triton**
**Viking**

# Round of lending rate cuts expected

By Michael Blandon

A ROUND of cuts in lending rates at the big banks is widely expected early this week after the ½ per cent. reduction introduced by Lloyds Bank a week ago.

There is a growing feeling that the other banks could decide to leapfrog the Lloyds move by cutting their base rates by a full 1 per cent. to 10 per cent.

Their decision will depend partly on how short-term interest rates in London settle down this week. Last week, rates saw a further downtrend providing the background for hectic activity and sharp price rises in the gilt-edged market.

A cut of this order would represent a significant relief for borrowers, taking base rates back to the levels ruling in the late summer and reducing the cost of advances for "blue chip" companies to 11 to 11¼ per cent.

## Hesitation

The banks are anxious to encourage their industrial customers to increase their borrowing in support of the expected recovery in activity.

There were signs in the autumn that the level of bank lending might be starting to pick up a little, though last month's figures again showed a fall, particularly in the manufacturing sector.

Apart from Lloyds, the banks have hesitated over base rate cuts recently, partly because the overall 1½ per cent. rise, which they introduced between July and October, did not fully match the 2 per cent. jump in the Bank of England's minimum lending rate in the same period.

# Tories and Labour move to end devolution rifts

BY CHRIS BAUR, SCOTTISH CORRESPONDENT

LEADERS of the Conservative and Labour parties in Scotland were involved in urgent weekend efforts to overcome the internal conflicts over devolution which threaten to erode their electoral strength north of the Border.

The Scottish Tory party's governing central council voted 103-60 in Edinburgh not to ditch its commitments to a directly elected Scottish Assembly.

At the same time, Scottish Labour leaders were moving to confine internal opposition to the Government's proposals by those who regard the Assembly's suggested powers as inadequate.

The Tory decision was an important one in two respects. First, it represented a victory for a number of men who hold high office in the Scottish party—such as Mr. Russell Fairgrieve, MP for West Aberdeenshire, who was recently appointed by Mrs. Margaret Thatcher as Scottish chairman, and Mr. Alick Buchanan-Smith, the Tories' senior Front bench spokesman on Scottish affairs.

Their continued tenure of these posts might have been jeopardised by a vote rejecting the Assembly.

The expression of grass roots opinion from all representative sections of the Scottish party is bound to be taken into account by the "shadow" Cabinet this week when it discusses its tactics for the four-day debate on devolution, starting to-morrow.

Mr. Buchanan-Smith described the Assembly commitment as "fundamental" and the central council's vote as "a very helpful mandate" in the coming Parliamentary debate.

There was a determined effort to change the party's stance. It was let by Mr. Teddy Taylor, MP for Glasgow Cathcart, a member of Mrs. Thatcher's team. He urged the meeting to abandon all reference to a directly elected Scottish Assembly, arguing that all proposals for a separate Scottish legislature involved the same inherent dangers.

Meanwhile, a meeting of the Labour party's Scottish regional executive voted 13-11 to reject a suggestion that it should seek a meeting to patch up differences between itself and members of the recently-formed break-away Scottish Labour Party.

The executive endorsed the stand taken by its acting secretary, Mr. James McGrandle, who issued a warning to all party members last week that participation in the new Scottish Labour Party would render them ineligible for continued membership of the British Labour Party.

An attack on the new party was also mounted by the Scottish regional secretary of the country's largest trade union, the Transport and General Workers.

Mr. Raymond Macdonald warned his members not to support the Scottish Labour Party. While his union was also pressing for strong economic powers to be given to the Assembly, it was doing so through a resolution to the March annual congress of the Labour Party's Scottish council.

Editorial Comment, Page 10

# Japanese group is recruiting for U.K. bearings plant

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

NIPPON SEIKO KAISHA (NSK), the Japanese industrial group, has begun recruiting for its new bearings plant at Peterlee, Co. Durham, which was at the centre of considerable controversy two years ago.

The Government dismissed the protests of the other bearings manufacturers, gave the go-ahead for the NSK scheme and guaranteed State aid through development grants.

The Peterlee plant will have cost "about £8m." when it comes on stream in April, and 20 per cent. of that—about £1.6m.—will have been provided by the Government.

NSK has recruited nine key technicians who have had four months' training in Japan and is offering 130 more jobs at the factory. These will be semi-skilled because the factory is highly-automated.

By next year the factory, which will have six lines and a capacity of 1.4m. bearings a month, should employ about 220.

NSK is among the top five largest bearings manufacturers in the world. The Peterlee plant is its first production base in Western Europe. It will produce six sizes of metric ball bearings with their variations.

These will be for many different industries, but NSK is best known for its high-quality bearings for the electric motor industry.

Agreement has already been reached that the new plant will be a "one-union" factory. The management will deal with the Amalgamated Union of Engineering Workers.

Mr. Taizo Iwasa, managing director of NSK Bearings Europe, said that Japanese production methods would be used whenever possible. This would mean more flexibility than usual for employees to move from one job to another in the plant. "The unions have been very co-operative. They know we have to make this a profitable plant."

About half the machine-tools and other capital equipment for the plant was imported at a cost of some £3m. Some of this was specially designed and built by NSK in Japan. The other equipment came from outside the EEC area because it is not available there.

The present factory covers 107,000 sq. ft. of the 25-acre Peterlee site, so there is plenty of room for expansion.

Among the guarantees NSK gave the Government when negotiating the Peterlee scheme two years ago was that at least half the output would be exported.

Mr. Iwasa said that exports would be well over the 50 per cent. level from the start, mainly because the British economy was at such a low ebb.

# Insurers seek news of lost super ship

MARINE underwriters in the London market are anxiously awaiting news of the Norwegian-owned Berge Istra, which has disappeared in the Pacific.

If she has sunk, she would be one of the biggest individual merchant ship losses in maritime history.

The Berge Istra is an oil/bulk ore carrier of 227,556 tons deadweight that was completed in April, 1972. On board the Liberian-registered ship is a crew of 32, including, it is reported, three women and a British radio officer.

There has been no trace of the ship in spite of a massive air and sea search, but there was a tropical storm near the area when she last made radio contact on December 29 and there have been reports of unidentified distres calls from a ship on January 3.

The ship's hull and machinery are valued at $18.2m.

# IMF talks 'step to recovery'

By Philip Rawstorne

IMF conference in Jamaica had taken "a major step towards ending the world recession," Mr. Denis Healey, Chancellor of the Exchequer, said on his return to London yesterday.

"This could mean more jobs sooner," he added, in a comment on the British economy.

The IMF had given its "good housekeeping seal of approval" to the Government's economic policies by extending the U.K.'s credit facilities by 45 per cent., allowing it to borrow another $350m. if necessary.

Mr. Healey said he did not expect to draw on the facility. "The fact that it is there, and everyone knows it is there, is helpful."

Increases in loan facilities to the less developed nations could have a favourable effect on Britain's exports.

The IMF had been impressed by the improvements in our balance of payments position and by the success of the pay limit.

"They think that the £6 pay limit is an enormous step forward in solving Britain's economic problems," Mr. Healey said.

# Mining leaders visit Poland

A 14-MAN team from the mining industry's joint policy advisory committee starts a five-day visit to Poland to-day. It includes representatives of the National Coal Board, trade unions and professional organisations.

They will meet the Polish Minister of Mining and visit collieries in the Katowice area.

# More imported cars sold in U.K. last year

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

IMPORTERS SOLD 43,000 more cars in the U.K. last year than they did in 1974, in spite of an overall fall in the market of 74,000 units.

The importers' share of the market, a political issue which became the subject of bitter wrangling within the industry during 1975, rose from 27.90 per cent. to 33.23 per cent.

Much the largest percentage increase gained by the importers was scored by East European manufacturers, who increased sales by 42 per cent. But because these companies—Fiat, Lada, Moskitch, Skoda and Wartburg—also started from a low base, the impact in unit terms was limited, rising from 14,090 to 19,993 cars.

The Japanese expansion was much more dramatic. In spite of the pressure exerted to have limits placed on Japanese sales, they rose by 23,000 units to 108,000. This gives Japan a market share of 9.04 per cent., and an increase of 27.5 per cent. on sales in 1974.

The most substantial individual increase in registrations among Japanese manufacturers was scored by Honda. It has had great success with its economical Civic model this year, which has pushed sales up from 3,258 in 1974 to 10,110 last year.

EEC countries (excluding Britain), boosted sales by 6.3 per cent., while EFTA (Swedish) sales were down by 2.5 per cent. on 1974.

The figures, published by the Society of Motor Manufacturers and Traders, underline the poor performance of British car manufacturers whose sales dropped by 12.8 per cent.—a loss of 117,000 units on the previous year.

Throughout the year, British manufacturers were held back by disrupted production as a result of strikes, and by the switch in consumer preference to smaller vehicles.

British Leyland was also caught out by a miscalculation of the market, which—at a total of 1.19m. for the year—was almost 100,000 units better than first predicted.

Outstanding model successes last year were the Chevette, of which almost 20,000 were sold; the new Leyland Princess, which increased sales over the comparative model by 3,000 to 28,700; and the Ford Escort, the second best selling car overall. Escort sales increased from 91,700 in 1974, to 103,800 last year.

Ford also filled the number one spot in the best selling cars for the year, with the Cortina (106,800 sales).

The next three places were filled by the Leyland Mini, Marina and Allegro, followed by the Vauxhall Viva, the Chrysler Avenger and Hunter, the Leyland Princess and the Datsun Sunny—the only imported car in the list.

**U.K. CAR REGISTRATIONS**

| | December | | December | | 12 months ended December | | | |
|---|---|---|---|---|---|---|---|---|
| | 1975 | % | 1974 | % | 1975 | % | 1974 | % |
| British Leyland | 14,009 | 26.93 | 16,861 | 28.08 | 368,671 | 30.87 | 415,367 | 32.74 |
| Ford | 15,628 | 30.04 | 14,532 | 24.20 | 258,496 | 21.65 | 287,658 | 22.68 |
| Chrysler | 2,663 | 5.12 | 4,362 | 7.27 | 78,451 | 6.57 | 113,962 | 8.98 |
| Vauxhall | 3,849 | 7.40 | 5,782 | 9.63 | 87,570 | 7.33 | 92,307 | 7.28 |
| Total British | 36,403 | 69.98 | 41,738 | 69.52 | 797,338 | 66.77 | 914,722 | 72.10 |
| Renault | 2,164 | 4.16 | 4,021 | 6.70 | 56,665 | 4.75 | 57,026 | 4.49 |
| Datsun | 2,106 | 4.05 | 2,417 | 4.03 | 64,010 | 5.36 | 58,758 | 4.63 |
| VW-Audi/NSU | 1,513 | 2.91 | 1,853 | 3.08 | 48,197 | 4.04 | 38,885 | 3.06 |
| Fiat | 1,588 | 3.05 | 1,910 | 3.18 | 38,370 | 3.21 | 43,609 | 3.44 |
| Total Imports | 15,616 | 30.02 | 18,303 | 30.48 | 396,750 | 33.23 | 353,931 | 27.90 |
| TOTAL | 52,019 | 100.00 | 60,041 | 100.00 | 1,194,000 | 100.00 | 1,268,653 | 100.00 |

# Weather

U.K. TO-DAY

MILD and cloudy. Drizzle in places.

**London, S.E. and Cent. S. England, E. Anglia, Midlands**
Mainly dry. Rather cloudy. Wind W., moderate. Max. 11C (52F)

**Channel Is., S.W. and N.W. England, Wales**
Cloudy. Drizzle in places. Wind W., fresh. Max. 12C (54F).

**E. and Cent. N. England**
Occasional drizzle, dying out. Wind W., fresh. Max. 11C (52F).

**N.E. England, Borders, Edinburgh, Dundee, Aberdeen**
Rain in places later. Wind W., fresh. Max. 8C (46F).

**Lakes, I. of Man, S.W. Scotland, Glasgow, Argyll, N. Ireland**
Cloudy. Rain at times. Hill fog. Wind W., strong. Max. 10C (50F).

Lighting-up: London 16.44, Manchester 16.44, Glasgow 16.39, Belfast 16.53.

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**BUSINESS CENTRES**

| | | Y'day Mid-day °C | °F | | | Y'day Mid-day °C | °F |
|---|---|---|---|---|---|---|---|
| Alexandria | C | 18 | 64 | Madrid | S | 10 | 50 |
| Amstrdm | C | 11 | 52 | Manchster | C | 11 | 52 |
| Athens | S | 14 | 57 | Melbourne | C | 22 | 72 |
| Bahrain | C | 17 | 63 | Mexico C. | S | 19 | 66 |
| Barcelona | S | 11 | 52 | Milan | S | 4 | 39 |
| Beirut | C | 14 | 57 | Montreal | C | −23 | −9 |
| Belfast | D | 9 | 48 | Moscow | F | −14 | 7 |
| Belgrade | F | 5 | 41 | Munich | R | 7 | 45 |
| Berlin | C | 7 | 45 | Newcastle | C | 11 | 52 |
| Birmghm | C | 12 | 54 | New York | Sn | −3 | 27 |
| Bristol | R | 10 | 50 | Oslo | S | 2 | 36 |
| Brussels | C | 12 | 54 | Paris | C | 11 | 52 |
| Budapest | R | 5 | 41 | Perth | S | 28 | 82 |
| B. Aires | S | 31 | 88 | Prague | C | 6 | 43 |
| Cairo | S | 19 | 66 | Reykjavik | F | −2 | 28 |
| Cardiff | C | 10 | 50 | Rio De J'o | S | 35 | 95 |
| Cologne | C | 11 | 52 | Rome | F | 13 | 55 |
| Copnhagn | S | 5 | 41 | Singapore | S | 30 | 86 |
| Dublin | C | 11 | 52 | Stockholm | Sl | 1 | 34 |
| Edinb'gh | C | 12 | 54 | Strasbourg | C | 10 | 50 |
| Frankfurt | C | 10 | 50 | Sydney | C | 22 | 72 |
| Geneva | C | 7 | 45 | Tehran | S | 8 | 46 |
| Glasgow | D | 11 | 52 | Tel Aviv | R | 17 | 63 |
| H. Kong | S | 15 | 59 | Tokyo | S | 7 | 45 |
| Jo'burg | S | 24 | 75 | Toronto | Sn | −4 | 24 |
| Lisbon | S | 12 | 54 | Vienna | R | 9 | 48 |
| London | C | 13 | 55 | Warsaw | R | 4 | 39 |
| Luxembg | R | 8 | 46 | Zurich | R | 6 | 43 |

**HOLIDAY RESORTS**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Ajaccio | S | 14 | 57 | Jersey | C | 10 | 50 |
| Biarritz | C | 11 | 52 | Las Palms | F | 18 | 64 |
| Blackpool | C | 9 | 45 | Locarno | S | 10 | 50 |
| Bordeaux | C | 11 | 52 | Luxor | S | 22 | 72 |
| Boulogne | F | 10 | 50 | Majorca | S | 14 | 57 |
| Cape Tn. | C | 20 | 68 | Malaga | S | 12 | 54 |
| Faro | S | 16 | 61 | Malta | S | 15 | 59 |
| Florence | C | 7 | 45 | Nairobi | S | 24 | 75 |
| Funchal | F | 17 | 63 | Naples | C | 10 | 50 |
| Gibraltar | S | 15 | 59 | Nice | F | 14 | 57 |
| Guernsey | C | 10 | 50 | Oporto | S | 14 | 57 |
| Innsbruck | R | 9 | 48 | Salzburg | R | 9 | 48 |
| Inverness | F | 11 | 52 | Tenerife | F | 12 | 54 |
| I of Man | C | 11 | 52 | Valencia | S | 14 | 57 |
| | | | | Venice | C | 1 | 34 |

S—Sunny. F—Fair. C—Cloudy. R—Rain. D—Drizzle. Sl—Sleet. Sn—Snow



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